





# EUROPEAN NEWS



## Lisbon officials in Angola talks

A team of Portuguese officials are in Luanda, capital of the former Portuguese colony of Angola, to put final touches to a general treaty of co-operation expected to be ratified at the weekend by Portuguese President Ramalho Eanes (above) and Angolan President Agostinho Neto (below).

Our Lisbon correspondent reports that the meeting, which will take place in Bissau, capital of the former Portuguese colony of Guinea-Bissau, is expected to strengthen diplomatic relations between Portugal and Angola. These were recently resumed with the arrival in Lisbon of Angola's first ambassador to Portugal, Sr. Agostinho Neto Sebastiao.

Among the issues to be discussed are the trade relations and the possible resettlement of some of the Angolan refugees who left Africa following the Portuguese military withdrawal in 1975.



## No French pressure on W. Germany to expand

BY ROBERT MAUTHNER

PARIS, June 20.

FRANCE HAS no intention of exerting pressure on the West German Government to take expansionary measures against its will at next month's Western summit meeting in Bonn.

This was made clear by M. Raymond Barre, the French Prime Minister, in an informal conversation with British and U.S. journalists here. But M. Barre stressed that, while he had never been in favour of the so-called locomotive theory under which all the onus of increased growth was put on two or three of the strongest economies, France supported the wider concerted growth strategy proposed by the OECD.

Taking a very different line from that adopted by Mr. Denis Healey, the UK Chancellor of the Exchequer, the French Premier said that if "exaggerated pressure" was put on West Germany to step up its growth this could only lead to a negative reaction from the Bonn Government. It was not the way to act towards an important country, he added.

M. Barre indicated that he did not expect much progress to be made at the Bonn summit towards closer monetary co-operation. Although he was basically a monetarist and had always advocated a more effective monetary co-operation system, any moves in this direction were conditional on a greater "convergence" of the economic situations in the countries concerned.

Turning to domestic affairs, the Prime Minister admitted for the first time that he expected the French rate of inflation to rise to 10-11 per cent in 1978, compared with 9 per cent last year as the result of the Government's more realistic price policy.

M. Barre emphasised, however, that this would be the result mainly of the Government's decision to authorise price rises, rather than the consequence of the freeing of industrial prices. Excluding the price increases in these two

fields the underlying rate of inflation would be no more than 8 per cent.

M. Barre said he would never have agreed to free industrial prices if the economic circumstances had not been favourable. The stability of the French franc on the exchange markets, the moderate growth of the money supply, which had been restricted to 12 per cent a year, the relatively small budget deficit and the acceptance by employers and unions of a stabilisation of purchasing power, had been conducive to such an operation.

The new price policy was aimed at improving the financial situation of companies, which had been seriously undermined by the long years of government-imposed price controls. It would not, in the longer run, lead to higher inflation. The underlying trend of prices was now downward. Last year, when prices were still controlled, industrial prices rose faster than the general cost of living index. This year, the reverse was the case.

## Renault lays off 9,000 at strike plant

By David Curry

PARIS, June 20.

THE RENAULT motor company is taking drastic action to end the pay strike which has been disrupting output at one of its leading factories for the best part of three weeks.

This morning it laid off 9,000 of the 20,000 workers at its Flins plant near Paris where the press shop workers have been on strike and have occupied their part of the plant. It had already closed down the entire factory which assembles the new Renault 18 model and the fast-selling Renault 5 for three days following police expulsion of the strikers. But when they opened the gates again the press shop men simply resumed their strike.

The company followed its partial shutdown by winning a court order for the expulsion of the strikers for blocking the right to work of other people in the plant. This decision has been notified to the strikers and if they fail to leave the plant it seems likely that riot police will be brought in to clear them.

The conflict at Renault has come just when motor vehicle sales are improving. Although the conflict has been built up by the CGT union, in particular, as a challenge to the Government's economic strategy the unions have failed to spread the trouble.

To the problems of Renault and the strike in the country's military arsenal has been added a 48-hour railway strike called for the weekend in pursuit of pay claims and a call by the CAT for its members in the postal service to strike tomorrow in support of wage rises and shorter hours.

Reuter adds: About 800 women workers are occupying the Moulins factory at Alencon in Normandy in defiance of an order requiring them to evacuate. Work is at a standstill.

## Tito attacks involvement of big powers in Africa

BY ANTHONY ROBINSON

BELGRADE, June 20

PRESIDENT TITO of Yugoslavia opened the 11th congress of the League of Communists (LCY) yesterday with a speech emphasising the stability and consistency of the Yugoslav path to socialism and self-management and socialism. However, he expressed concern at the deterioration in relations between the great powers and what he called their attempts to undermine the independence of Africa and the non-aligned movement generally.

"Detent in relations between the great powers has broken down... their mutual distrust and suspicion are reminiscent of the times of the cold war... which we hoped would be left behind for ever," he said. The words by a later passage, extolling the increased efficiency and armaments race and the rivalries of the big power blocs were spreading to Africa where some powers were attempting to preserve their spheres of influence. Power politics and external interference were increasing in the non-aligned and developing countries, he said, before to resist any future Soviet aggression and defend our independence, sovereignty and territorial integrity. "The security not only at a local level but organs have thwarted the attacks even on a world scale, cannot be enemies within and without," he said, in a passage clearly directed towards the Soviet Union and anyone challenging the leading role of the LCY and the integrity of Yugoslavia as a federal state.

There was no hint throughout his 40-minute speech that the 86-year-old President, looking healthy and vigorous, intended giving up his active role as leader of both state and party. Dressed in a white suit, he walked upright, and unaided to the podium, sat down to deliver his speech in a clear, firm voice and received a standing ovation from the more than 3,000 Yugoslav and foreign delegates.

By far the warmest applause bestowed on foreign delegations was given to Sig. Enrico Berlinguer, the Italian Communist Party's secretary-general. The message from China stressing the deepening of revolutionary friendship and co-operation between our two parties, countries and peoples, also drew considerable applause, as did the Soviet delegation. The congress has divided into six sessions to discuss details of party policy before the full closing plenary session on Friday.

Two sides to make serious efforts to transcend the recent unsatisfactory situation. President Tito underlined, however, that Yugoslavia's international position "is more secure than ever." He attributed this to a policy of "non-alignment" and equitable co-operation... and also a highly stable external situation and the stability of the non-aligned movement generally.

This stability was due to Yugoslavia's progress along the path of self-management and socialist democracy, he said, adding that, viewed in this light, various speculations about the future of Yugoslavia appear "ridiculous." Extra force was added to these words by a later passage, extolling the increased efficiency and armaments race and the rivalries of the big power blocs were spreading to Africa where some powers were attempting to preserve their spheres of influence. Power politics and external interference were increasing in the non-aligned and developing countries, he said, before to resist any future Soviet aggression and defend our independence, sovereignty and territorial integrity. "The security not only at a local level but organs have thwarted the attacks even on a world scale, cannot be enemies within and without," he said, in a passage clearly directed towards the Soviet Union and anyone challenging the leading role of the LCY and the integrity of Yugoslavia as a federal state.

## Bonn advisers urge tax reform

BY ADRIAN DICKS

BONN, June 20.

THE WEST GERMAN Government, as it considers the options for an international economic compromise deal at next month's Bonn summit meeting, received fresh advice today that it should introduce a medium-to-long term tax reform as the best way of securing stronger growth.

In a special interim report, the Council of Economic Advisers—generally known as the five wise men—effectively align themselves with the Free Democrats (FDP), junior partners in the Bonn Coalition, who were expected later today to give a final approval to a DM 20bn tax reform package of their own. The five wise men acknowledged

the strength of feelings abroad that West Germany should take more immediate action to stimulate economic growth. But they reject such views as implicitly naive, arguing that foreign critics often fail still to take into account the effects of revaluation of the Deutsche Mark, as well as Germany's dependence on economic conditions in partner countries.

At the root of the country's sluggish growth outlook, the five wise men believe, is rather a structural weakness on the supply side. They recommend a series of tax changes as the best way in which to remedy this, and warn foreign critics that because

such a strategy must depend on long-term profit expectations by business, it will take time to succeed.

The report goes along with the Bundesbank and with Chancellor Helmut Schmidt in stressing the dangers of higher interest rates if the public deficit were to be substantially raised. Further, the five wise men firmly believe any increase in the public sector deficit could only damage medium-to-long term growth prospects, and they reaffirm the importance of the Finance Ministry's pledge not to abandon the goal of consolidating and eventually reducing the public sector's debts.

## Package will help support economy of West Berlin

BONN, June 20.

WEST GERMANY'S political parties today unanimously agreed to support a package of measures to help the economy of West Berlin.

The package includes a pledge to cut taxes paid by West Berlin businesses in stages from 1980, about DM7.5 (\$3.3bn) a year and to double a special grant into West Berlin's economy. The West Berlin authorities have complained that the city's measures were adopted badly lacks skilled workers. Last night at a meeting of leaders and investment incentives, and of all parliamentary parties have warned that the population, chaired by President Walter de Meiring, was under 2m is dwindling. Scheel, Under the Four-Power, Reuter

## Steel output last month rose by 2.3%

BRUSSELS, June 20.

CRUDE STEEL production in May in the countries belonging to the International Iron and Steel Institute rose to 40.2m metric tons—2.3 per cent up on the previous month and 4.4 per cent higher than in May last year. In the first five months of this year crude steel output totalled 189m tons, a 3.4 per cent increase on the same period last year. Compared with May last year, production was up 8.6 per cent in the European Community, 3.1 per cent in Japan and only 0.9 per cent in the U.S.

In the first five months, the 4.3 per cent upturn in U.S. crude steel output from a year ago was due to improved domestic demand, the Institute said. A 6.3 per cent upturn in the European Community mainly reflected higher export activity during the first four months and some growth in shipments to domestic markets.

Japan's output of crude steel declined in the five-month period by 3.2 per cent from a year ago, mainly because of lower shipments to some export markets. The European Community's total May crude steel output was 12m tons, down from 12.18m tons in April but up from 11m tons in May last year. Five-month production totalled 57m tons, up from 53.7m tons.

In the U.S., production was 11.17m tons in May against 10.4m tons in April and 11m tons in May 1977. Five-month production was 49.57m tons against 47.5m tons a year ago. Japan's May crude steel output totalled 8.46m tons, up from 8.37m tons in April and down from 8.73m tons a year ago. Five-month production was 41.08m tons, down from 43.33m tons.

The International Iron and Steel Institute accounts for 99.3 per cent of crude steel production outside the East bloc, China and North Korea or about 65 per cent of world production. AP-D.

## Report on UK-Irish links

BY OUR OWN CORRESPONDENT

DUBLIN, June 20.

A COMMITTEE which is examining plans for economic co-operation between Northern Ireland and the Republic and between the Republic and the UK, published its first report tonight.

The Irish Government sees the publication and the evidence of work being done as the main significance of the report. Mr. Michael O'Kennedy, Minister for Foreign Affairs, said it showed that there was a genuine willingness on the part of both Governments to promote co-operation.

Most of the projects under consideration were announced at the time of the visit to Dublin two months ago of Mr. Roy Mason, Secretary of State for

Northern Ireland. The most interesting is the suggestion of a possible electricity connection between Britain and Ireland.

Dealing with energy resources, the committee says the options for the future include adding to a north-south link on the basis of a possible new connection between Northern Ireland and Scotland or between Wales and South-east Ireland. Security has been the problem with the north-south link and the last connector was blown up several years ago.

Another plan being considered is the linking of the Erne and Shannon waterways by reopening a canal. Studies in the Derry Donegal and Dundalk-Newry areas are well advanced.

## Protest over WEU leak

BY OUR OWN CORRESPONDENT

PARIS, June 20.

COMMUNIST MPs attending the seven-nation Western European Union assembly here have been accused of leaking to the Soviet authorities a report dealing with European relations with China.

Sir Frederic Bennett, the British Conservative MP who was seeking support for European arms supplies to Peking, today charged other delegates with provoking a Soviet protest four days before his report was made

official. The anger is being pointed principally at the Italian Communists.

Strong Soviet moves are understood to have been made in Bonn. West German Social Democrat delegates opposed the motion backing stronger Chinese links, while the Russians regard as anti-Soviet. Some Right-wing MPs were seeking to reinstate a deleted proposal referring specifically to arms supplies.

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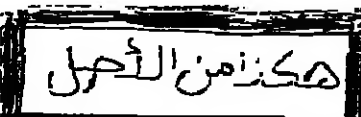
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## Dutch Cabinet ready to proceed with new Brazil nuclear deal

BY CHARLES BATCHELOR

AMSTERDAM, June 20.

THE DUTCH Government is expected to announce today that it will set up an ad hoc system to allow the delivery of enriched uranium to Brazil at least two years before Brazil starts reprocessing. The Cabinet is expected to obtain the tight safeguards it was seeking.

The Cabinet is expected to be convinced that the deal is a necessary step to ensure that the enrichment project—West Germany and the UK—will only be used for peaceful ends. It said in a letter to Parliament today.

This decision is expected to lead to a heated debate in Parliament next Tuesday. The Government's first attempt in January to win approval for its plans was unsuccessful. It has since held further talks with Brazil and with its partners in the enrichment project—West Germany and the UK.

The Cabinet said Holland's efforts to obtain detailed safeguards against the misuse of the plutonium produced from the enrichment project were not successful because Holland's partners said the deal went further than the original agreement.

The new accord states that the system of storing the plutonium according to the International Atomic Energy Agency's guidelines. If this is not possible, the system will be arranged.

## Italy pays back \$350m

BY PAUL SETTS

ROME, June 20.

ITALY HAS repaid on schedule a further \$350m tranche of the \$1.5bn European Economic Community loan negotiated in 1973, the Treasury Ministry confirmed here today. The country still has to repay \$100m to the EEC this year.

At the same time, Italy has also paid back some \$10m of its \$20m gold-backed loan from the Bundesbank.

The Italian monetary authorities intend to negotiate next

month new loans with both the International Monetary Fund and the EEC for a probable combined total of some \$2.5bn.

Although with foreign currency reserves of about \$8bn, the country is in no immediate need of international financial support. The Italian authorities are seeking the new loans in view of the possible inflationary and balance of payments repercussions of the Government's proposed economic recovery programme.

## Signs of moderation among Moluccans

By Charles Batchelor in Amsterdam

THE PAST FEW days have shown the first signs of a change of attitude on the part of Holland's most explosive racial minority—the South Moluccans. The change comes as the country waits for the verdict on three young Moluccan gunmen who took part in the siege of Assen Town Hall last March.

The three Moluccans will be sentenced at the end of next week and the public prosecutor is seeking sentences of between 15 and 18 years for the attack which led to the death of two of the 70-odd hostages. Yet a statement issued after the trial by the young South Moluccan community called only for a change in Dutch policy towards their homeland of Indonesia and an end to Dutch aid to the country.

This marks a refreshing change of emphasis from previous violent attempts by the South Moluccans to influence the Dutch Government. And, while the young demonstrators are still in Dutch custody, their attention towards present-day Indonesia, leaders of the Moluccan community were leaving for a two-day congress in West Berlin to discuss the problems of minority peoples such as the Moluccans, Kurds and Eritreans in gaining recognition.

Both are hopeful signs in the bitter Moluccan issue. But the Moluccan community remains a thorny problem and is receiving an unprecedented amount of attention from the Dutch Government.

Nearly 30 years after some 4,000 Moluccan members of the Netherlands Army of the Indies left their homeland with their families, the Moluccans are only now facing up to the seriousness of the problem. Instead of fading with time, the Moluccan's dream of a return to their islands in the Indonesian archipelago has been taken up with increased fervour by the second generation. Most of the young people who have taken part in recent acts of violence or who support such action have never seen the homeland they are fighting for.

The 12,000 Moluccans who came to Holland in 1950 have now grown to around 40,000. Their exact numbers are not known since an official register is not kept. They have for the most part retained assimilation into Dutch life and live in their own areas of towns such as Assen and Bovenamer in northern Holland and in the east of the country. They have their own government-in-exile, their own political movement and strong network of community organisations. As the efforts of the elders of the community to achieve independence have produced little result, the radical youth has chosen increasingly violent means to draw attention to its grievances. The older generation admits it has lost control of the more extreme youth groups in the community.

The Dutch are faced with a virtually insoluble problem. Despite their efforts in the late 1940s to gain a degree of independence for some of the peoples of their former colony the Indonesian Government opposed this. As soon as Indonesia became a sovereign state Holland was in no position to impose a solution. Even if it wanted to, Dutch efforts at friendly persuasion have also had little impact although small groups of Dutch Moluccans now make regular visits to their homeland. Indonesia remains uncompromisingly opposed to the Moluccan ideal however and earlier this month expelled an Indonesian-born Dutchman for what it called subversive activities connected with the Moluccan struggle for independence.

Since the first train hijacking and the seizure of Amsterdam in December, 1975, the Dutch authorities have been working hard on the Moluccan problem. The Government produced a report in January. It did nothing to meet the political aspirations of the Moluccans but did propose a series of measures to improve their material circumstances.

But at a time of high unemployment in the country as a whole there are limits to what can be achieved. Extra teachers will be employed to help with Dutch language tuition since Malay is the first language of many families. Special radio and, eventually, television programmes are planned. The Government also wants to encourage Moluccan families to move into houses in the west of the country away from the north and east where they are now concentrated and no new exclusively Moluccan housing areas will be allowed. Finally, it plans to make up the backlog on pension payments owed to its former soldiers.

The Government's Moluccan Bill will come before parliament later this year but debate in committee has already revealed strong opposition to parts of it. The plan to disperse the Moluccans more evenly among the Dutch community brought the accusation that this amounted to apartheid. Mr. Wiegels modified his proposals somewhat and now seems ready to accept that groups of Moluccans should live near each other although solely Moluccan areas will not be allowed. Some of the 5,000-6,000 new houses needed over the next five years will be built in towns with already existing communities while others will be built in towns designated as areas for population growth.

## EDUCATION IN GREECE

# Short on quantity and quality

BY DAVID TONGE

GREEKS SAY that when they go to heaven they must bring an application form, a statement supporting the application, and a list of contacts to help them through the expected administrative tangles. They face however more immediate problems with the bureaucracy.

The Minister responsible for the civil service, Mr. Constantine Stefanopoulos, emphasises that changes have been made. There has been an increasing computerisation of procedures, the abolition of some bureaucratic formalities, and the reorganisation of most ministries.

He also stresses the importance that the Government gives to the professional and scientific training of civil servants. But in this field and in the wider field of education of the middle management to help prepare Greece for stiff EEC competition, problems are acute.

Education has long been one of the more controversial areas of Greek life. Neglected for years by the state, its share of the budget has increased since the Junta fell in 1974 but the proportion of GNP devoted to education in Greece nevertheless remains one of the lowest in the OECD.

It is only in the past five years that the technical colleges, KATE, have begun to operate. These have places for one applicant out of every 10, while in the universities the ratio is little better—one in seven. Further, while the "quantity" of education is limited, its quality is widely criticised.

The principles of the 1978-82 development plan prepared by the Government admit the difficulties of the situation. It talks of the shortage of building, the limited possibilities of training teachers, the continuous increase in demand for higher education, the problems of organising post-graduate studies and the "anachronistic composition" of teaching programmes. The student is expected to remember set texts rather than

to learn to analyse and debate. One educationalist writes that the general tendency is to ask the student to "act as a parrot." There is a shortage of libraries and the text books used are usually written by the professors themselves and often based on the professor's early studies rather than any subsequent research. There is a complete absence of post-graduate departments in Greece.

The present Minister of Finance, Professor Athanasios

The Karamanlis Government has frequently argued that it cannot be expected overnight to solve the problems of decades. But it has devoted more money to education, continued an expansion of the university system, and made some changes to the organisational structure of the Ministry of Education; this structure dates back to 1932.

More important, it has introduced a major reform in secondary education. The antiquated, artificial language *katharevousa*

attempts to close private schools and last year passed a new law governing these. However, they have had less success in introducing new legislation for the universities. Here they have been at odds both with teaching staff—who have been on strike for most of this year—and with the student movement. EFEE,

The law covering technical education was voted over a year ago. This regulates a system which, with World Bank assistance, began during the Junta period. There are now 17,000 students at eight technical colleges. Capital expenditure on these has been running at around £10m per year, while current expenditure has risen from £3m in 1975 to £13m this year. The Under Secretary responsible, Mr. Ioannis Kontogiannopoulos, stresses how the schools were started in difficult conditions. "Greece has lost much time and we cannot give ourselves the luxury of waiting," he said. It was difficult to judge the results in that the first graduates were now doing their military service, but a recent article in *Oikonomikos Tachidromos* stresses how graduates of the hospital administration school have found themselves obliged to work as builders, waiters or store hands.

Such examples reflect the teething problems of the system. The Centre for Planning and Economic Research, for instance, says that the absence of any tradition of technical colleges means that employers, like the students themselves, have to find out what this new technical education is worth. But it still only a first step. It is one in the right direction of providing Greece with the skilled manpower it needs for its development.

Technical lycees were first introduced by the Centre Union Government in the mid-1960s, and then reintroduced and re-abolished by the Junta. This confusion is reflected in the way that in 1975 only 22 per cent of Greek students went on from primary school to technical education, compared with twice that figure in France and Italy and over three times as many in West Germany.

The Karamanlis governments have resisted opposition

## Spain seeks UK help with EEC application

By Reginald Dale, European Editor

SR. LEOPOLDO CALVO-SOTELLO, Spain's Minister for EEC negotiations, yesterday urged the British Government to help ensure that his country's membership application is dealt with as quickly as possible. Sr. Calvo-Sotello, who is on a tour of the nine EEC capitals, had talks in London with a number of senior Ministers, including Dr. David Owen, the Foreign Secretary, and Mr. Edmund Dell, the Trade Secretary.

Dr. Owen confirmed Britain's strong support for Spanish EEC membership. British officials are impressed by the thoroughness of the Spanish application and Madrid's rapid response to the structural problems of entry, although they believe that the full implications of membership have not yet sunk in to the Spanish population.

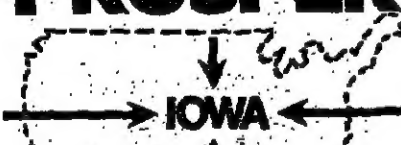
Britain is not yet ready to react, however, to the Spanish argument that the entry of all three applicants—Spain, Greece and Portugal—should be coordinated, despite the fact that the Greek and Portuguese membership bids are much further advanced. The British view is that any decision should await the conclusion of the European Commission's report on the Spanish application.

A series of demonstrations were staged by the main trade unions throughout Andalusia today in protest against Government inactivity on unemployment. Andalusia has the worst unemployment in Spain both in agriculture and industry. According to union sources unemployment in the province affects 200,000 people of whom 110,000 are agricultural workers. The total is 20 per cent of the national figure.

In Barcelona province, building workers went on strike for 24 hours after the breakdown of wage negotiations that have been going on for nearly three months.

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## You're OK—OK care about me

It's Mental Handicap Week this week, and we'd like to ask you to spare just a few minutes to think about the problems facing mentally handicapped people and their families. We do all we can to help the one child in every hundred who is born with a mental handicap, but we are totally dependent on voluntary contributions. Could you help?

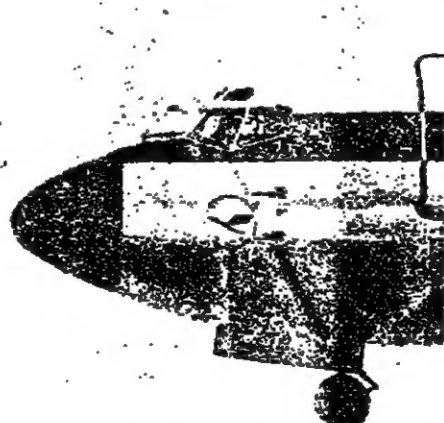
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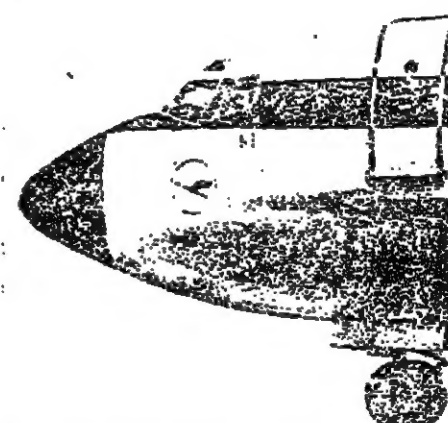
MENTAL HANDICAP WEEK—JUNE 18-24

## 'Their timetable suits mine'

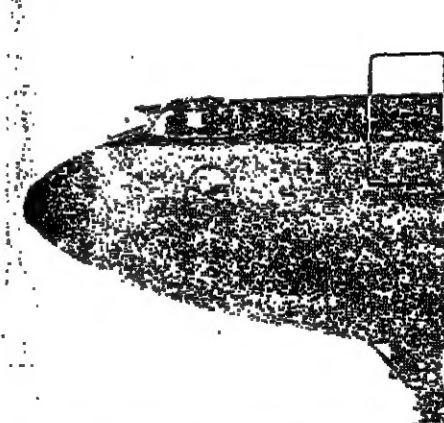
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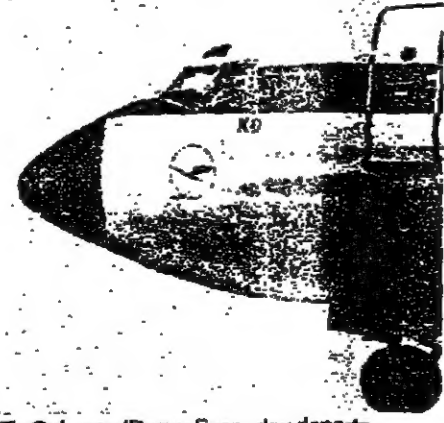
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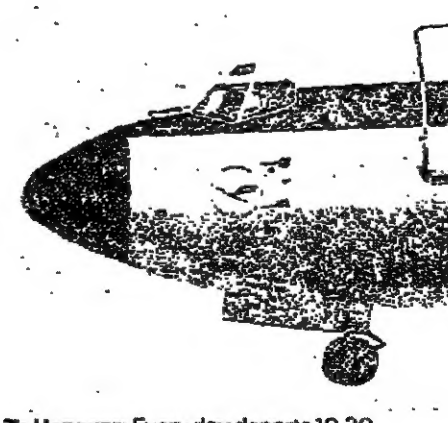
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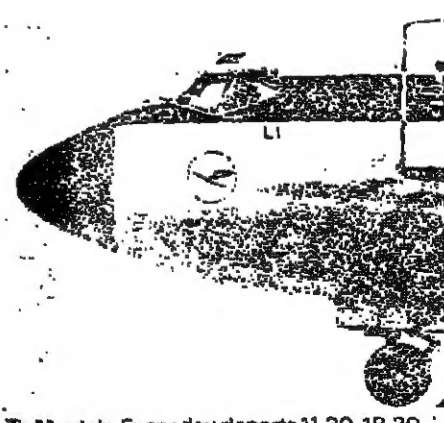
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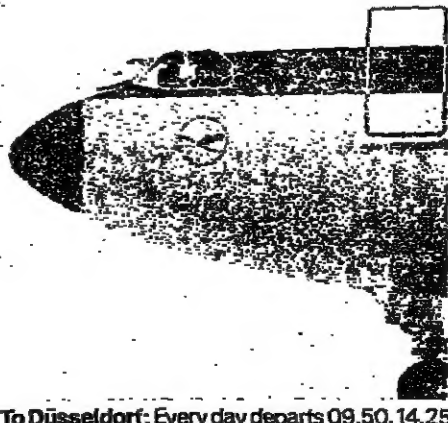
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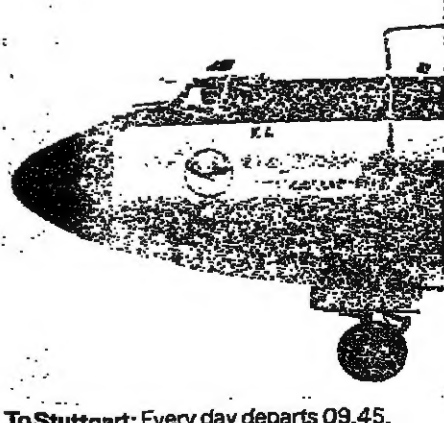
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## OVERSEAS NEWS

## Sadat launches debate with attack on critics

BY ROGER MATTHEWS

CAIRO, June 20.

PRESIDENT Anwar Sadat today launched a month-long "debate" on Egypt's future political structure that is expected to culminate in decisions to be announced on July 23, the 26th anniversary of the 1952 revolution.

In another hard-hitting speech attacking his domestic critics, Mr. Sadat refused to contemplate abandoning the Middle East peace initiative he launched last November. "I am optimistic even if Israel does not respond positively or favourably," he said.

Mr. Sadat described Israel's answers to the two questions put by the United States on the future of the occupied West Bank and Gaza Strip as "very loose." "Israel always tries to keep the whole question very fluid. Our position is the same. We are not speaking about Sinai because that is my land and we will not negotiate on even one inch of Sinai."

However, declared the President, Egypt was ready to discuss any new factors that might be introduced by the Israelis including any mutual security arrangements that might be sought. What Egypt was not ready to discuss was the ceding of one inch of Arab territory.

On the domestic front Mr. Sadat accused political parties on the Left and Right of launching a campaign against the Prime Minister and the Cabinet, with the objective not of serving the Egyptian people's interests but of creating the conditions under which they could seize power.

The right-wing New Wafd party, which has voluntarily dissolved itself in protest against recent government measures, had been trying to bring the country back to the situation that existed before 1952, while the left-wing United Progressive Party, which has frozen its activities, wanted to plunge Egypt into "bloody strife" and "put Cairo to the torch" as it had attempted in January last year.

Addressing the central committee of the Arab Socialist Union, Mr. Sadat announced that its 475 members would shortly be receiving a booklet drafted by the Rector of Cairo University, This document would deal with the "development and progress of Egypt" and with the question of introducing a code of ethics in political life.

President Sadat emphasised that he did not want to take decisions in isolation. Committee members would have time to debate the theories developed in the booklet and any decisions would therefore express the united wish of the Egyptian people.

Speculation is growing that Mr. Sadat may seek to introduce constitutional amendments in order to consolidate the process of enacting some of his more vociferous critics.

"The sovereignty of the law will always remain supreme in Egypt," said Mr. Sadat, reaffirming.

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It is known that Mr. Begin is very angry about Mr. Weizman's public criticism of the Cabinet decision. It is considered possible the Premier will call in his Defence Minister for a talk. But it is thought unlikely that Mr. Begin will actually dismiss the popular Mr. Weizman, the one Cabinet member who appears to have a common language with Egypt's President Sadat.

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## Record for S. African capital outflow

By Bernard Simon

JOHANNESBURG, June 20.

THE OUTFLOW of short-term foreign capital, which has bedevilled the South African economy for the past two years, reached a new record during the first quarter of 1978, according to the reserve bank's quarterly bulletin, published today. Outflows totalled R342m, compared with R204m in the fourth quarter of 1977 and R1,088m during the whole of last year. R307m was accounted for by the private sector and unrecorded transactions.

The bank says that the drain "may still have been related to political uncertainties in southern Africa and a decline in financing abroad of foreign trade transactions."

There was also a net outflow of long-term capital during the quarter, amounting to R111m. This was the first negative figure under this heading for several years, but was partly accounted for by repayment of foreign loans by the Government.

The outflow of R133m from the private sector is ascribed to an increase in foreign branch balances stemming from diamond sales towards the end of March.

The deterioration in the capital account during the first quarter was, however, largely compensated for by a continued positive balance on current account. The current balance showed a surplus of R503m (R1,193m at a seasonally adjusted annual rate), compared with a R205m surplus in the previous quarter and 1977's positive balance of R751m.

The current surplus was also a new record, but the increase since the fourth quarter of 1977 was due to seasonal influences. At a seasonally adjusted annual rate, the surplus declined from R2,37m in the fourth quarter of 1977. This decline reflected a marked decline in seasonally adjusted merchandise exports, a moderate increase in imports and a sharp rise in net invisible payments, all of which were only partly offset by rising gold outflows.

Gross foreign reserves fell by R14m during the quarter, to R72m at the end of March. However, a net reduction in foreign liabilities meant an increase in the net reserves of R58m. Net reserves rose by R17m in the six months to the end of March.

Gen. el-Shazly reiterated his conviction that "there are quite a lot of people in Egypt who think as I do, but not a lot of people can say what I can say." He said, however, that he did not stay in touch with other officers because "when the authorities see that I am in touch with them they will be in trouble."

If President Sadat would not join in the "democratic dialogue," he wanted, the General said, "then I might feel obliged to follow undemocratic dialogue and also publish my memoirs, as the President recently did. His own memoirs, he said, were almost ready."

Asked where he would go now, Gen. el-Shazly said that he did not think that he would stay in Portugal. "There are 21 Arab countries where I think will be happy to invite me," he said, although he had not had an invitation from any, so far.

The former Chief of Staff, who was sacked from the post following the 1973 war with Israel, did not, however, anticipate a new war in the near future, with the Egyptian forces, "and I regret having 'got what they want,' retaining control of the West Bank of the Jordan and 'almost all' of Sinai."

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## First quarter production better than expected

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, June 20.

THE U.S. gross national product did not, after all, decline in real terms in the first quarter of this year, according to final figures released today by the Commerce Department.

Initially, the Department had calculated that GNP fell by 0.6 per cent in the first three months. Subsequently this was slightly altered to register an 0.4 per cent drop. But complete data, showing somewhat stronger inventory investment, exports and personal spending, left GNP unchanged from the final quarter of 1977.

The major drag on economic activity in the first three months was the severe winter and the coal strike, which, the Administration estimates, shaved 2 1/2 to 3 per cent off growth.

What today's figures underline is that the rebound from the winter doldrums was extremely vigorous in March, April and for part of May. There have been more recent signs — in figures on industrial production, housing starts, personal income and unemployment — which suggest that the economy has settled down and is expanding at a more modest 4 per cent or so, in line with the Administration's longer term aims.

But the second quarter GNP figures, which should be released later next month, will probably show an annual rate of increase comfortably in excess of that.

The first quarter figures imply an annual inflation rate of 7 per cent, although the measurement most favoured by the Department — the GNP chain price index — showed a more modest 6 1/2 per cent advance in the first quarter compared with a 6 1/2 per cent annual increase in the last three months of last year.

despite the Mayor's insistence yesterday that it was not a racial riot, many of the officers involved in the struggle leading up to Mr. Miller's death were black.

But a local black Minister, Reverend Herbert Daughtry, was yesterday implying quite the opposite in a series of highly charged statements which did nothing to calm the atmosphere in Crown Heights.

In a speech to an angry meeting of residents he warned the Mayor yesterday: "Something must be done or it is going to explode. You will not make it through the summer."

The Minister has also taken up the issue of 16-year-old Victor Rhodes who is in a coma following an attack last Friday by "up to 50" Hasidic Jewish youths who had formed a self-styled crime patrol. Two Hasidim have been arrested and charged with assault and attempted murder.

The motive for the attack is unknown although the New York Post speculated this morning that Rhodes may have been mistaken for a black involved in a crime against the Hasidim.

However, the Rev. Daughtry urged yesterday's emotional rally to "translate our numbers into brother. But the case is rapidly acquiring racial overtones," said the Minister.

Under the current three-year contract which expires on July 20, the Administration estimates that pay rises have averaged 8 per cent a year and considerable public and private pressure has already been exerted to encourage a substantially lower settlement.

Ideally, the President's inflation fighters would like to see the postal service grant no more than the 5.5 per cent being allocated to Federal Government workers.

However, this is far below the claim lodged yesterday which calls for the continuation of cost of living rises in the current contract plus a \$1.00 wage increase in the first year and \$865 in the second of a proposed two year contract. This would amount to a 14 per cent increase in the first year on top of postal

"fat cat" recently made \$3m by merely importing 200 American sailboat cars. He paid \$7,000 for each abroad purchased Syrian car, and then sold each for \$13,000, and sold each for \$35,000. It is easy when you know how.

Last September in a much publicised and earnestly meant drive against corruption, over 40 of the country's leading entrepreneurs were arrested. A commission of inquiry was set up. Most, if not all of these men are free again. The fact is that they are the lubricant which greases the wheels of the Syrian economy.

What happens next? There are two major issues. The first is straightforward. When will the official economy, the strategic sectors and chiefly industry, start to grow again? When Syria pulls out of Lebanon or when there is peace in the Middle East, or both.

The second question is more delicate. How fast can the private sector grow, under what conditions and how can that growth be reconciled with the Ba'ath Party's insistence on controlling not merely the com-



Mayor Edward Koch

Worrying about the "disquieting implications" for the city's future, Mayor Koch has promised a full inquiry into the death last Wednesday of 35-year-old Mr. Arthur Miller, Mr. Miller, who ran his own construction business in Crown Heights, was apparently choked to death during a scuffle with police who were apparently trying to arrest his 21-year-old younger brother for allegedly driving with a suspended licence.

According to witnesses, however, Mr. Miller offered no violence. It is claimed he was the victim of unnecessary strong arm tactics by 16 police officers who had been called to the scene by the two policemen who originally tried to make the arrest.

A state senator yesterday alleged that Mr. Miller died because he refused police requests to make a payoff to avoid the arrest of his younger brother. But the case is rapidly acquiring racial overtones, said the Minister.

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## Air Canada pilots vote to strike on Monday

By Victor Mackie

OTTAWA, June 20.

AIR CANADA pilots are ready to strike early next Monday in a dispute which could cripple the airline at the start of the peak-travel summer period.

Officials of the Canadian Air Line Pilots' Association announced today that union members voted 92 per cent in favour of a dispute involving first-class travel privileges for flight crews.

The strike would have a devastating effect on the Canadian Government's programme to boost tourist traffic inside Canada. However, Canadians who have planned trips abroad will not be seriously affected, as the airlines will switch their reservations from the Government-owned Air Canada airline to the privately-owned Canadian Pacific or to foreign airlines.

The strike, the first to be held by the pilots' association over a contract, would coincide with the end of Quebec's St. Jean-Baptiste holiday weekend and the peak travel period leading up to the long July 1 Canadian national holiday.

The airline, which normally handles about 37,000 customers a day at this time of year, has immediately started implementing a contingency plan to place passengers with reservations on other airlines wherever possible.

An airline official said Air Canada would continue to take reservations for flights after June 26 "in the hope the two sides can get together and resolve the dispute."

The big issue for the 1,500-member union, without a contract since January, is whether the airline has the right to discontinue first-class travel privileges for its 836 first and second officers. Captains continue to travel first class.

WASHINGTON, June 20. THE SOVIET UNION is developing a new nuclear bomber similar to the B-1 which President Carter cancelled last year, according to the U.S. Defence Intelligence Agency.

The agency estimates that the bomber will be operational in the early 1980s. Its production was given to the Senate Arms Services Committee in private in March and was made public last night.

President Carter cancelled the \$25m B-1 programme last year in favour of speeding up development of nuclear Cruise missiles. Pentagon officials had agreed that the best bomber force would be a combination of Cruise missiles and low-level nuclear aircraft.

BUENOS AIRES, June 20. PRESIDENT Jorge Rafael Bordaberry has ordered the release of 14 jailed trade unionists and is reviewing the cases of a number of others, Archbishop Antonio Plaza said today after a meeting with the President.

Release of trade union leaders has been demanded by the labour movement.



## WORLD TRADE NEWS

## Japan to spend \$4bn on U.S. military equipment

BY STEWART FLEMING

JAPAN HAS approved a \$4bn purchase of sophisticated military aircraft—including the most advanced fighter in the U.S. Air Force—McDonnell-Douglas and Lockheed.

The order calls for the transfer to Japan of production technology to enable the Japanese to produce a high proportion of the equipment domestically.

It also represents a significant breakthrough for Lockheed which was at the centre of a corporate bribery scandal in the country which initially led the Japanese to cancel the very planes which it is now proposing to order.

The agreement, announced by the Japanese Defence Agency and confirmed by McDonnell Douglas, calls for the purchase of 100 F-15 fighters from McDonnell Douglas and 45 F-16C Orions anti-submarine patrol planes from Lockheed.

It is estimated that the fighters will cost \$32.23m each and the F-16s \$20.7m.

A crucial element in the package is the provision for the

construction of about 40 per cent of the F-15s and 44 per cent of the F-16s in Japan.

The F-15 is described as the most advanced fighter in the U.S. Air Force and was developed at the centre of a political storm in the U.S. when the Carter Administration announced the sale of 60 aircraft to the Saudi Arabians as part of a Middle-East arms package.

Israel objected fiercely to the sale of such an advanced weapon to a potentially hostile Arab state.

For Lockheed the order will represent much-needed business in a country where it has been under severe attack. In February, the Japanese cancelled plans to buy 100 F-16s for \$1.2bn following the revelation that in the first half of the decade Lockheed had made bribes and payoffs in Japan totalling some \$12.6m.

Subsequently a former Japanese Prime Minister, Mr. Kakuei Tanaka, was arrested on charges stemming from the allegations.

## Big increase in electrical exports by Hong Kong

SALES OF Hong Kong electrical products increased by 42 per cent in 1977 to \$163.41m.

Exports of domestic appliances continued to play a major part contributing 44 per cent to total sales during 1977, with value amounting to \$71.88m. Within this category, \$40.38m worth of electrical space heating equipment and parts was exported, with the U.S. increasing its purchases from \$24.35m in 1976 to \$34.35m, Canada from \$1.53m to \$2.35m, and West Germany from \$390,000 to \$540,000. Australia, however, cut its purchases slightly from \$1.05m in 1976 to \$860,000.

Sales of electric fans went up 47 per cent over 1976 to \$14.35m, and exports of electric cookers increased fourfold from \$1.53m in 1976 to \$5.65m in 1977, with Australia taking \$3.76m against \$140,000 in the previous year, and the U.S. \$1.29m against \$940,000.

Sales of vacuum cleaners increased from \$1.88m to \$2.59m and that of food mixers from \$200,000 to \$320,000. Increased demand for torches and hand lanterns overseas boosted sales from \$14m to \$20.24m. Exports of torches went up by 18 per cent from \$10.24m to \$11.88m. Hand lantern exports more than doubled from \$3.78m to \$5.35m.

It is notable that, for the first time, Hong Kong exported \$2.544 worth of electromedical apparatus to West Germany. While this export value might appear insignificant, it heralds one of the many new products which are coming off the production lines in this sector of manufacturing industry.

## Foreign currency UK—Brazil credit

BY MARGARET HUGHES

THE LOAN agreement for a \$35m line of credit to Petrobras (Petrobras), Brazil's state oil company, to cover purchases of UK plant, equipment and related services was signed in London yesterday.

The facility, which is guaranteed by Britain's Export Credits Guarantee Department, is being provided by Lloyds Bank International. The rate of interest is 7½ per cent with a loan period of 8½ years linked to a draw down period of three years.

This is the first UK export credit to be arranged for Brazil in foreign currency. The Brazilian Central Bank's reluctance to accept non-sterling credits has resulted in protracted negotiation for this facility. But in the end eventual acceptance of foreign currency by the Brazilians has resulted in a loan being finalised, an opportune moment for next week for the first ever Latin American oil exhibition—Offshore Brazil—is to be held in Rio de Janeiro from June 27-30.

And the UK line of credit is intended to cover the purchasing needs of Petrobras and its subsidiaries, particularly for its offshore oil exploration programme in which it is investing some \$1.16bn over the next four years. Around 30 UK companies offering offshore oil exploration technology, together with the Department of Energy's Offshore Supplies Office, will be participating in the exhibition.

Dr. Carlos Alberto Sbolli Isard, finance director of Petrobras, who was in London for the signing of the loan, said he hoped that the line of credit would be used up quickly so that further facilities could be agreed.

It is understood that the original intention was to arrange a \$100m line of credit but this was later split into three tranches—the current \$35m hopefully being only the first.

The advantage to Petrobras of this arrangement is that it limits the commitment fee which it has to pay on the any unused part of the line of credit.

The new facility follows a \$15m line of credit extended by Lloyds Bank International in 1974 and now fully utilised. The biggest chunk of this credit was used for the purchase of a \$10m platform structure from McDermott of Scotland. There has been some two months' delay in delivery of the platform which is now expected to be delivered at the beginning of November.

Dr. Isard said that Petrobras has an immediate need for another two or three platform structures and eventually a further two. Tenders have already been put out for one of these platform structures and although the bids have not yet been submitted, Dr. Isard indicated that the new line of credit could be used for purchasing the equipment from Britain.

He added that Petrobras would be unlikely to place any firm new orders with McDermott until the platform structure currently under construction had been delivered. But he emphasised that this did not mean that the contract now out to tender would be lost to Britain—the UK, he said, has five or six companies capable of supplying similar equipment. Petrobras is also looking for platform production equipment which could be financed by the credit, Dr. Isard added.

## £30m Soviet toy contract

BY CHRISTOPHER DUNN

A TEN-YEAR barter contract to supply toys to the Soviet Union, signed three years ago by Dunbee-Comber-Mark, could be worth over £30m by the time it expires. Mr. Richard Beecham, joint managing director of the international toy company, said in London yesterday.

"We have already done well over £2m," he added. The contract which gave Dunbee exclusive UK rights to supply the Soviet Union with moulds and equipment budgeted for a minimum £2.5m worth of business by 1988.

Under the deal, which Dunbee secured in the face of strong competition, the UK company receives Soviet toys which it then sells in the West.

"The quality of the Russian toys is good, and we can make a profit on that part of the deal too," said Mr. Isidore Shulman, Dunbee's finance director.

Dunbee was also awarded the International Trophy for Industry yesterday by the Institut International de Promotion et de Prestige. This is the first time that the Geneva-based affiliate of UNESCO has given the award to a toy company.

## Imports by developing countries may fall

By David Housego

THE RATE of growth of imports from developing countries, apart from the oil-producing states, is likely to fall sharply during 1978-79, according to the secretariat of the United Nations Conference on Trade and Development (UNCTAD).

As a result, UNCTAD says in a review of the world economic outlook over the next two years, developing nations will no longer be able to play a significant part in reinforcing world recovery or in preventing a further downturn. By contrast its points out that the performance of developing nations in increasing their imports in real terms from 1974-77 at much higher rates than the growth of world exports exerted a counter cyclical role during the recession of 1974-75 and strengthened recovery in 1976-77.

UNCTAD predicts that imports by non-oil-developing countries will only increase in volume terms by an average of 2.3 per cent a year during 1978-79. It attributes this slowdown to stagnant foreign exchange receipts coupled with policy decisions by developing countries to try to limit the widening of their current account deficits. Nonetheless, it foresees that the current account deficits of non-oil-developing countries will rise by about \$8bn in 1978 compared with 1977 and by an additional \$1.52bn in 1979 to average \$3.57bn a year during the period.

The secretariat says this sharp reduction in imports, particularly of capital goods and consequent expanding debt service ratios, means a "severe setback" for the growth prospects of non-oil-developing nations.

It expects their economies to grow at a sluggish 4½ per cent a year during 1978-79 which is below the average 5.4 per cent a year achieved during 1970-73—the last years before the increase in oil prices.

The UNCTAD document is a preliminary version of a paper on the World Economic Outlook to be submitted to the UNCTAD Board. Its bleak view is likely to harden the stance of developing countries at the four-yearly UNCTAD conference in Manila next May when relations between industrialised and developing countries will be reviewed.

## Boycott allegation on electronic parts

BY MAURICE SAMUELSON

BRITISH COMPANIES are refusing to instal specialised electronic components from Israel in British security equipment for fear of losing sales to the Arab world.

This is in spite of the quality and cheapness of Israel's electronics products and the fact that the Arab boycott regulations do not apply to military equipment. British exports, witnesses have also claimed it is too soon to judge the effects of legislation in the U.S.

But Mr. Halperin said Mr. Stanley Marcus, his counterpart in the U.S. Commerce Department, had authorised him to say that no harm had befallen the American business following the implementation of legislation in the U.S.

It is understood that the committee, under the chairmanship of Lord Redcliffe-Maud, has sent an invitation for U.S. officials to give evidence. But the invitation has not yet reached Mr. Marcus and there are suggestions that it may have been held up at a Governmental level. Written evidence has also been submitted by Mr. Mohammed Mahgoub, Secretary-General of the Central Arab Boycott Office in Damascus.

## Harley-Davidson to close Italian motorcycle plant

By Our Own Correspondent

NEW YORK, June 20.

HARLEY-DAVIDSON'S is to close its Italian production facility, bringing to an end the company's attempt to compete in the lightweight motorcycle market.

The company used to produce lightweight machines in the U.S. and moved production to Italy in order to try to maintain its competitive position vis-à-vis the Japanese industry. But a company spokesman said that its lightweight line had consistently lost money.

The company is in the midst of an anti-dumping suit in the U.S. alleging that Japanese manufacturers have been selling heavyweight motorcycles of over 900 cc at below fair value.

A company spokesman said that the U.S. Treasury has issued a preliminary finding on the suit in the company's favour and that its final ruling is expected at the end of next month.

The ruling will then have to be referred to the international trade commission to determine whether there has been injury. Paul Betts writes from Rome: There is growing concern in the pany restructuring programme.

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## HOME NEWS

## Building industry forecasts modest recovery

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

A PERIOD of modest recovery for the construction industry after its worst recession is expected in the latest set of forecasts from the Building and Civil Engineering economic development committees.

According to the committees' joint forecasting committee, a marginal overall upturn in new construction of about 1 per cent is expected this year, a trend expected to strengthen to 2 per cent next year.

A 1 per cent growth in new output is forecast for the following 12 months.

The committee emphasises that although it forecasts brighter times ahead, its forecasts are not as optimistic as at the time of the last set of projections last December.

The macro-economic outlook appeared less bright than six months ago and forecasts had been shaded down appropriately.

A warning not to interpret the modest improvement forecast as the start of a cyclical upturn is contained in the latest report.

This draws attention to the fact that the 1980 projections indicate a level of output which will still be much lower than at the start of the present decade.

The report forecasts an increase in private housebuilding output this year, although the next two years hold out little promise of further growth.

## Private sector

Private sector starts this year are expected to reach 155,000 against 135,000 last year, falling to 150,000 next year, and remaining at that level in 1980.

Completions in 1978 should rise to 160,000 after the last year's total of 140,000, and fall back to the next two years.

In the public housing sector, the prospects for output are the poorest in the report.

A picture of declining output throughout the three years under review is detailed, with completions falling this year to 145,000 against 162,000 last year, then gradually to 125,000 by 1980.

Starts should remain constant at 125,000 a year against 132,000 last year.

Elsewhere, public non-housing output is expected to rise by 2 per cent next year after a 1 per cent fall this year. A further 2 per cent rise is expected in 1980.

## Investment

The value of output in the private industrial sector up until 1980 reflects strong investment intentions, with last year's increase of 18 per cent running at 8 per cent and 4 per cent respectively this year and next. No further rise is expected in 1980.

An upturn of 7 per cent is expected this year in the private commercial sector, followed by further increases of 4 per cent in each of the following two years.

Repair and maintenance work is expected to rise by 5 per cent this year, with further increases of 3 and 2 per cent recorded in the next two years.

Orders for new construction in April were worth £709m in current prices, according to the Department of the Environment. This compares with £581m for March.

Expressed at constant prices, orders in the three months February-April were 6 per cent lower than in the previous quarter, but 12 per cent up on the same period a year earlier.

## Inflation 'will stay steady this year'

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THIS WEEK'S figures on earnings have done nothing to undermine the Government's confidence that inflation will be at, or about, its present rate for the rest of the year, Mr. Roy Hattersley, Prices Secretary, said yesterday.

In a detailed refutation of claims that the underlying rate of inflation was increasing again, in which he came close to accusing his critics of being un-patriotic, Mr. Hattersley said that the increase in wages over the last three months had been near enough to the Government's target to prevent an upsurge in prices.

Most of the facts which affected the next six months had already been built into the equation, he said. After that, the improvement depended on a "prudent path of moderate wage demands".

Those who predicted that they would take off again did not help the Government, he implied, in its negotiations with unions over the another round of wage restraint.

This campaign of "self-denial" was extremely dangerous for the country, Mr. Hattersley, speaking at the shops.

European conference in Bourne-mouth, admitted that his predictions could be proved wrong by an Act of God.

But even a calamity like drought would have to increase the seasonal food index by 30 per cent before it pushed the Retail Prices Index up by 1 per cent.

Much attention had been focused on the recent figures which showed that cost of raw materials had increased by 51 per cent in the last three months, the Minister said.

But the wholesale prices index for inputs was 11 per cent lower than a year ago.

It took up to a year for changes in the input index finally to work their way through into retail prices, and the country was still enjoying input prices lower than a year ago.

Turning to wholesale prices index for outputs, Mr. Hattersley said this showed a fall in May from 101 per cent to 91 per cent.

That index measured the prices of goods as they left the factory gate and it took three to six months for changes in these wholesale prices to be felt in the shops.

Taken together, the two indices suggested some months of improvement on prices. His own view was that the trend might not be as good as these figures suggested, but they certainly did not point to a deterioration.

His critics were equally wrong about the implications of the recent earnings figures. With six weeks to go before the end of the present pay round, the Government was much nearer its objective than its critics once thought possible.

The earnings index for the whole economy showed a year-on-year increase of 15.5 per cent, appreciably lower than the total on the old limited index on which so many commentators had concentrated.

There was nothing in the latest index to lead the Government to conclude that its inflation target would not be met.

No should any credence be placed on forecasts based on the rate of inflation over the last three months. Any short period which included an uncharacteristically high single month proved nothing.

## Energy challenge to UK

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH industry faces a challenge to become more energy efficient for the day when fuel prices are at least double present levels.

This was the conclusion yesterday of a junior Minister, leading industrialists and fuel producers taking part in a British Institution of Management London conference on "Energy 2000".

Dr. John Cunningham, Parliamentary Under-Secretary for Energy and Minister responsible for energy conservation, said that fuel prices could at least double over the next 20 years.

"The fact that the UK will be among the top 10 oil producers in the world for a short while, and that we will become an oil exporting nation, is neither here nor there in a world energy context."

Britain could not isolate itself from the international energy market.

Britain's top management must put a financial muscle and company commitment into cutting energy use and costs.

The Government was offering more than £100m a year for investment in energy conservation measures.

The onus is on the consumer to take the initiative. Now no business can afford to ignore the benefits on offer," Dr. Cunningham said.

Mr. Robert Malpas, Imperial Chemical Industries director said that the immediate challenge facing industry was to use the breathing space created by North Sea oil and gas to deploy resources before the end of the century.

Companies could create an energy climate where an increasing standard of living could be obtained with zero or negative growth in primary energy demand.

Eventually, coal would become the feedstock for gas, liquid fuels and chemicals. It was important to improve the efficiency of electricity generation. Only 30 per cent of energy contained in fossil fuels burned in power stations was converted to electricity.

Increasing use of nuclear and solar power would help to improve energy conversion efficiency.

Sir Denis Rooke, British Gas Corporation chairman, warned against making "major and irrevocable" investment decisions based on long-term energy predictions.

Forecasts about energy production and consumption were constantly amended.

Given continuing action to stimulate greater efficiency in

the different energy uses it was logical to expect a reduction in demand forecasts.

More oil and gas might be found on the UK Continental Shelf than had been forecast.

The considerable uncertainties which make firm planning so difficult mean, in our view, that options should not be closed prematurely.

Freddie Clarke, research director (energy) of the UK Atomic Energy Authority, Harwell, said that Britain could not expect a large contribution from the renewable sources of energy—such as wind, tides, waves and solar energy—by the year 2000.

Things went well, the equivalent of 10m tons a year of coal might be provided by such sources of energy.

## EEC loan scheme improvements suggested by Lords

BY REGINALD DALE, EUROPEAN EDITOR

EEC PLANS to raise Community-backed loans to help stimulate investment could bring benefits to the UK, according to a House of Lords Select Committee.

The committee finds, however, that there is room for improvement in the details of the scheme, approved in principle at last December's EEC summit.

The proposal, now being discussed in the Council of Ministers, is for the European Commission to issue loans up to a total of 10m European units of account (£14m) over an unspecified period.

Each tranche would be activated by the Council of Ministers and the loans would be administered by the European Investment Bank in co-operation with the Commission.

The House of Lords Select Committee on the European Communities, in a report on the scheme, says the precise impact it will have on the level of investment is difficult to judge.

But it says that in present economic circumstances additional lending facilities to encourage investment are to be commended, particularly as enlargement of the EEC is to include Greece, Portugal and Spain, which would make further demands on available funds.

The committee asks, however, whether the scheme's objectives could not be more simply and

efficiently achieved by increasing the powers of the European Investment Bank to allow it to handle the large loans envisaged.

Assuming that the new facility was disbursed over a two-year period, it would only represent about one-third of the level of investment Bank lending before the recent doubling of the bank's borrowing limit, it points out.

The committee also expressed concern that the EIB might find itself competing with the Commission for funds in international capital markets, risking overcrowding.

While slight differences in terms could be appropriate, for example, if the Commission were "topping up" a loan from the EIB, it would be particularly undesirable if there came to be any differentiation between the credit standing of the Commission and the EIB and thus in the terms on which they would borrow, so that they interfered with each other when tapping the capital markets.

The committee points out that while the proposal is based on the assumption that the Commission has a "creditworthiness" in its own right, there is no reference to the form of guarantee to be offered to lenders.

Community Loans, 24th Report by the House of Lords Select Committee on the European Communities, Session 1977-78, HMNO 41.25.

## Aston Martin launches The Volante

ASTON MARTIN launches a ground touring version of the V8 Volante will be sold only in North America in the first year at \$68,000. The car will be available in Europe next year and will cost about £23,500 in Britain.

With production limited to three a week, it will become one of the world's most exclusive cars, the company says.

## Pit jobs hit

ABOUT 150 miners at the 50-year-old Hylton Colliery, Wear-side, are to lose their jobs because geological conditions are hampering production. The future of the colliery, which employs 600, will be reviewed this year.

## Emergency meeting on docks

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE PORT of London Authority has called an emergency Board meeting for next Wednesday at which it will attempt to finalise a plan on dock closures.

Sir John Cuckney, the authority's chairman, is to meet Mr. William Rodgers, Transport Secretary, today.

It is expected to detail a less radical rescue plan than that originally envisaged by the almost bankrupt port, but which will still involve closing one dock complex and a Government cash injection of £50m.

The shape and speed of developments in the next week will depend on the response from Mr. Rodgers, but the authority now feels that a Government decision is urgently required if the port's acute financial

problems are to be addressed before the Parliamentary recess, for Friday. But there is now little hope that enough common ground can be found for the submission of a meaningful joint plan to the Government.

The present draft plan simply lists areas of agreement and disagreement, with the question of closures falling into the latter category.

Although the plan refers to agreement on the need to improve working practices, the union has refused to deal in detail with a six-point list of practices which the authority requires abandoned. They say these must form the subject of future negotiations.

If there is no change in the unions' bargaining position on Friday, the port authority is

## Monsanto leaks may prompt industrial action

BY SUE CAMERON

SHOP STEWARDS at the Monsanto group's Seal Sands acrylonitrile plant in Tessa, are considering industrial action after three chemical leaks on Monday.

A meeting of 40 shop stewards representing construction workers on the partly-built site decided to ask Monsanto either to make an immediate improvement in safety standards, or close the plant until effective action had been taken against health hazards.

If Monsanto refused to do either, the stewards would consider recommending industrial action.

Shop stewards say that in one of the leaks, the warning siren did not sound.

They want faults such as these repaired, and more extraction ventilation.

They are also demanding that the company has a doctor or a trained nurse permanently on the site.

## Exposure

Their action comes after union complaints last week that five men had been exposed to dangerously high levels of acrylonitrile.

In the UK the legal limit for exposure to acrylonitrile is 20 parts per million. One man—not wearing breathing apparatus—was said to have been exposed to 214 ppm at the Monsanto plant.

Monsanto yesterday admitted that there had been "minor" leaks at Seal Sands when operation of the plant was started up on Monday. But it added that management had not yet received demands on safety standards from the construction workers' shop stewards.

Excessive exposure to acrylonitrile can cause breathing difficulties.

## Commission cuts on traded options

BY MARGARET REID

LIMITED cuts in commission charged on deals in the London traded options market are expected to be announced soon.

In response to complaints about trading costs, the cuts should boost activity in this two-month-old Stock Exchange venture.

The Exchange's Council is considering enlarging the market by adding more shares to the list, including such leaders as ICI, Courtauld, Shell, BP and Marks and Spencer—in which options are now traded.

Negotiations are under way between the Exchange and the banks about bank guarantees to investors who write options—that is, stand ready to sell shares over a future period at a pre-fixed price.

To provide assurance that they can meet their obligations, option writers have to put up the shares, cash or a guarantee that they can carry out their commitment.

The banks seem reluctant for the guarantees they give a client to be effectively passed on and used as security—say by the broker—at a later stage in the chain of the transaction.

The Stock Exchange argues that the banks' hesitations are needless, in view of the protection available in the options system and through the Exchange's compensation fund—against risk of default.

A reduction of commission is expected in spreads—deals whereby an option to purchase a share by July is sold and a new option in the same stock, run-

ning to October or January is bought, for example.

It seems likely that if the two halves of a spread transaction are completed within two or three days, the commission on the second part will be able to be limited to the basic £275 fixed option charge, without the usual extra sum based on the value of the deal.

Another concession may allow all deals in one type (series) of option over two or three days (instead of only one day as at present) to be added together for purposes of calculating commission.

Mr. Dundas Hamilton, former deputy chairman of the Exchange, yesterday gave up his role as chairman of the options committee on leaving the Council after six years.

Last year he became senior partner of his own firm, Fielding Watson Smith.

Asked last night to comment on the option market's first two months' trading, he said: "I think basically that the market, although spasmodic, has been better than expected."

"We are still faced with problems, partly of capital gains tax treatment and partly of making it simple for clients to operate in the market."

"Whenever we've overcome these, I think that both our broker members, and their clients will need a much more intensive educational programme to show the benefits of this market both to the private investor and to institutions."

## Loss of Tesco link hits Green Shield

BY DAVID CHURCHILL

A FALL in both profits and turnover for the year ended last November 5 was announced yesterday by Green Shield, the trading stamp company.

The fall reflects the loss to Green Shield of the Tesco franchise, which was given up

in June last year.

Turnover for 1977 was down 6.5 per cent, from £77m to £72.7m last year, while profits after tax fell from £1m to just over £11m.

Green Shield said the trading profit had been augmented by £1m which was part of a provision made in 1977 against reduced investment values and which deemed no longer necessary.

This means that the effective profits fall was about £13m.

The company has also added a total of £22,600 to its reserves to improve its liquidity.

The fall in profitability was expected by Green Shield after the decision by Tesco a year ago to drop trading stamps from its 700 stores. Tesco's move started off the present High Street price war which Green Shield hopes may finally end.

Mr. Richard Tompkins, Green Shield's chairman and founder, who owns the bulk of the company's shares, makes clear in the annual report his belief in the return of "more normal market conditions."

In the meantime, Green Shield is pressing ahead with its restructuring which has meant the merger of most of its redemption centres with the Argos discount store chain, also owned by Mr. Tompkins.

Under this link-up, stamp savers can redeem stamps at Argos shops and use cash stamps books in part-exchange for goods sold by Argos.

"The expected reduction in stamp revenue should, again, be matched by an increase in merchandise volumes under the inter-company agreement with Argos," said Mr. Tompkins.

## Laporte marketing chief joins CBI

By John Elliott

THE MARKETING director of Laporte Industries has been appointed a deputy director-general of the Confederation of British Industry. Mr. Brian Rigby, 45, has been main board director of Laporte for seven years. He will take up his new appointment in October.

Mr. Rigby replaces Mr. John Whitehorn, who left the confederation at the beginning of this year. He will work alongside the organisation's other deputy director-general, Mr. Jimmy James.

Mr. Rigby will be responsible to Sir John Mather, director-general for three of the organisation's directorates covering the EEC and other overseas affairs, company affairs, and education, training and technology.

Sir John is known to want to build up the confederation's activities within the Common Market but so far has found little time himself to devote to this. It is therefore likely to form a major part of Mr. Rigby's job.

Mr. Rigby's appointment is for a four-year period and he does not rule out returning to work in an individual company later in his career.

Born in Wigan, Mr. Rigby was educated at Wigan grammar school and King's College, London, where he read chemistry. He took a postgraduate course in chemical engineering and then joined the Atomic Energy Authority.

Later he joined the Beecham group and lived in Holland for five years before joining Laporte in 1974. He first met Sir John Mather 10 years ago when he and Mather decided to Sir John—who was buying it as a general subsidy for the whole port.

## Work on Nigg Bay refinery suspended

BY OUR ENERGY CORRESPONDENT

INITIAL CONSTRUCTION work on Cromarty Petroleum's proposed £200m oil refinery at Nigg Bay in the Cromarty Firth, Highlands, has been suspended pending a review of the project.

So far Cromarty has built only the pilot tunnel for the underground storage facilities. The company said yesterday it was a convenient point to review proposals. It was talking with North Sea oil groups, the Department of Energy, and regional and local councils in an attempt to decide on the detailed configuration of the plant.

Much would depend on the types of crude oil that would be fed into the refinery and the combination of products required.

The refinery has been planned amid controversy. Big oil groups, faced with over-capacity in their refineries, say the new facilities are not needed. Cromarty says its unit will be the first plant designed specifically to handle North Sea crude.

The company was talking with potential oil producers, including the partners developing the offshore Beatrice Field.

Cromarty intended to go ahead and build the refinery, marine terminal and associated storage project at Nigg Bay.

Shell said yesterday that the 250-mile long gas pipeline from Shell-Eso's big Brent Field in the North Sea to the handling terminal at St. Fergus, near Peterhead, had been completed two months ahead of schedule.

The line, laid by the semi-submersible vessel Semaac 1, will carry gas produced in association with Brent oil from the field to shore, where it will be fed into British Gas Corporation's distribution system.

Eventually gas from other fields to the north-east of the Shetland Islands will also be fed into the pipeline.

## Limoges manuscript fetches £22,000

SOTHERY'S CONTINUED his sale of the library of the late Major J. H. Abbey yesterday and made £238,430 from 34 manuscripts. The top price was £22,000, plus the 10 per cent buyers' premium, paid by Franklin, the Oxford dealer, for a Limoges manuscript of Gregory the Great Homilies of Ezechiel, produced about 1100.

A similar sum, acquired for Kraus, the New York dealer, a late 15th-century Old Testament in Greek. A Liber Tuarum of the Papii Chancery, produced in



Detail of a pen and black ink portrait by Urs Graf in the von Hirsch collection, whose sale opened last night.

## SALEROOM

BY ANTHONY THORNCROFT

Rome about 1500, fetched £21,000.

A gouache of Windsor Castle, c.1770, by Paul Sandby, set a record for the artist at £19,000 in a sale of English drawings and water colours at Christie's. The sale made a total of £166,010.

Sandby, born in Nottingham, went to London with his brother and worked at the Tower of London, making maps and plans. He later moved to Windsor to help with landscaping Windsor Great Park while beginning his series of drawings and prints of the town and castle.

A view from the Thames to the north front of Windsor Castle, with the water gate in the middle distance, also by Sandby, fetched £5,000. Both Sandby works were bought by Thomas Agnew, the London dealer. The market at Christie's in pen, brown ink and water colour, by Thomas Rowlandson made £9,500.

A water colour on buff paper dated June 28, 1854, by Richard Dadd, of David Hiding in the Cave with his Men, went to the Fine Arts Society at £7,000, a record for the artist.

Also at £7,000, another artist record, was Francis Cotes's Portrait of Topham Beauclerk—son of Sidney Beauclerk, fifth son of

the first Duke of St. Albans, a noted bibliophile and friend of Dr. Johnson and other literary figures. The work had been sent for sale by the present Duke of St. Albans.

A sale of Australian historical and contemporary paintings, drawings and prints by Christie's in Melbourne on Monday realised £180,051 (£169,730). The sale's top lot at £5,312 (£48,500) was paid anonymously for Bride and Bloodfield Bay, by Arthur Merric Bloomfield Boyd.

Attendance at the Grosvenor House Antiques Fair is well up on last year's figures, an increase of 35 per cent for the first five days of the sale: 12,421 visitors, against 9,956 in 1977. The fair continues until Saturday.

An important sale has been made to a British collector for £28,000—a unique collection of Napoleonic items comprising a cameo necklace and a pair of bracelets set in gold belonging to the Empress Josephine, three snuff boxes and 11 miniatures by famous painters. The vendor was Dr. S. Lavender, of South Molton Street, Mayfair.



## HOME NEWS

Audit reveals  
GLC £1.5m.  
overspending

BY DAVID CHURCHILL

OVERSPENDING of about £1.5m on construction work carried out by the Greater London Council has been uncovered by an independent auditor of the council's finances. It was also found that the GLC is presently spending about £250,000 more than budgeted on construction work in spite of a 50 per cent cut in the work-load.

Mr. Horace Cutler, leader of the council, last night described the overspending as "scandalous".

The overspending was discovered by Mr. J. Nicholson, the district auditor responsible for auditing the council's accounts. In his report on the GLC's construction branch he says that for 13 sample projects the direct costs exceed the value shown in the final accounts by "substantial sums". He points out that although changes have been made, many contracts are still costing more than their valuation. The cumulative excess cost on some 36 contracts has now increased to £1.5m, he added.

On the GLC housing maintenance branch the district auditor says he has discovered "over-

booking" of time sheets and job tickets. Bonus overpayments had led to disciplinary proceedings against a number of workmen. But the level and consistency of the overbooking in the cases the GLC is presently spending against "must give rise to serious concern," commented Mr. Nicholson.

Mr. Cutler said last night that the report raised questions about whether direct labour building should be a function of local government. "There is not the same discipline that exists in the private sector," he added.

The district auditor's report will be considered by the GLC finance and establishment committee later this week, said Mr. Cutler. The housing policy committee would also make a full investigation.

Last night Mr. George Tremlett, leader of the housing policy committee, described the report as "horrifying" and said that the direct labour branch at County Hall was a shambles.

"On the basis of this report we would be quite justified in closing the construction branch down altogether," he said. But he promised to consult senior officials and unions before taking any action.

Union chief puts case  
on company reports

BY CHRISTINE MOIR

EMPLOYEE COMPANY reports should not be allowed to supplant statutory report and accounts, according to Mr. Moss Evans, general secretary of the Transport and General Workers Union. If they were allowed to do so, companies could put an interpretation on results which they could not do in statutory accounts and could give only the good news in employee accounts while filing the bad news with the Companies Registrar.

Writing as part of a symposium published yesterday on the needs of special users of accounts, Mr. Evans outlines a number of main areas in which companies reports could be improved.

Top of the list is the need for disaggregation. "Parent companies should annex the accounts and reports of wholly-owned subsidiaries to the group accounts" together with a statement on inter-group financial arrangements.

Second, companies who did not prepare their reports within the

time limit allowed should be penalised much more stringently than at present. "In the past, there has been wholesale flouting of the law" on this matter.

Seven financial areas are pinpointed, ranging from leasing commitments to foreign currency transactions on which further disclosure would be valuable to employees and trade unions in their pay bargaining.

In addition, a further 13 points on employee matters could also be considered for statutory inclusion. These cover items such as total costs of training, redundancies and pension provisions.

Mr. Evans' views are expressed in one of four papers covering the main users of company reports. Other users include shareholders and stockbrokers, analysts, banks and financial advisers, and Government departments.

All four writers are primarily concerned with a company's long-term profitability, financial strength and future prospects

and are agreed that further disaggregation and considerably more uniformity in presenting accounts are needed.

Speaking for stockbrokers, Mr. John Chisne, senior partner of Wood, Mackenzie, calls for further disclosure of geographical cash holdings because the assessment of liquidity may depend on whether overseas cash balances can be remitted.

He also believes that the detailed needs of institutional shareholders may lead to a two-tier approach to company report and accounts.

Mr. Gerry Essam, head of the domestic banking division of National Westminster Bank, says bankers see the need for improvements in disclosure of funds and capital requirements.

He pinpoints five particular areas: a detailed analysis of short-term debt, five-year records of capital reserves, sales, profits and margins, a detailed breakdown of the use to which capital is committed and a clear basis of asset revaluations.

Companies  
union gives  
plan to aid  
small  
businesses

By John Elliott, Industrial Editor

A PLAN to help small businesses is being put forward by the Union of Independent Companies, which was set up last year as a pressure group for unquoted concerns.

The union wants the Government to modify employment legislation, slow down implementation of the Health and Safety at Work Act, introduce a top 50 per cent rate for personal tax, improve small businesses' banking facilities, and establish a Small Business Agency.

The union, an organisation of companies rather than a trade union, has been formed by activists who have been prominent in such organisations as the Confederation of British Industry and Association of Independent Businesses.

Its president is Mr. Bill Poeton, who runs a business in Gloucester and used to be a prominent member of the confederation.

Mr. Poeton believes the union differs from its rivals in that it is basing itself on local branches in individual parliamentary constituencies. It hopes to become a localised organisation rather than a national lobby group based in London, and intends to try to persuade local MPs to take up its causes.

Mr. Poeton said the union will be owners of independent unquoted companies, but not self-employed people.

Debenhams and  
Hepworth plan  
boutique deal

Financial Times Reporter

A RETAILING link-up between the Debenhams stores group and J. Hepworth and Son men's retailing chain is expected to be concluded shortly.

The deal would mean that Hepworths would set up separate men's boutiques within Debenhams stores, with the emphasis firmly on the Hardy Amies brand name.

Hepworths are currently carrying out pilot schemes at four of the 30 Debenhams stores. Mr. Jeffrey Rowley, Hepworth's managing director, said yesterday that the schemes so far had been a success. There had been no detrimental effects on other Hepworths stores close by. It is felt that the new boutiques will reach customers who do not normally shop at Hepworths.

No 'divine right'  
for editors over  
staff, tribunal told

MR. JACOB ECCLESTONE, vice-president of the National Union of Journalists, told an industrial tribunal yesterday that he did not believe editors had the "divine right" to move members of their staff round, especially if it was a move to a lower status job.

Mr. Ecclestone, a journalist employed by The Times newspaper and a union representative on the Press Council, was giving evidence for Mr. C. Gordon Tether, the former Financial Times columnist dismissed 20 months ago after a long dispute with Mr. Fredy Fisher, the editor, over the editor's control of his column.

Mr. Tether, aged 64, of Worpleston, Surrey, who wrote the Lombard column in the Financial Times for 21 years, is claiming unfair dismissal compensation and reinstatement.

Yesterday, the 42nd day of the hearing, Mr. Tether asked Mr. Ecclestone whether he agreed with Mr. Fisher's contention that it was a well understood practice in Fleet Street that editors had a right to change the job of their journalists, even to move them to more junior jobs, without their consent.

Mr. Ecclestone replied: "I would say an editor does not have the right to do this without their consent."

He could not think of a similar example at The Times over the last 10 years where the editor had been able to move someone quite arbitrarily, particularly if this involved loss of status.

"I would not accept for one minute that an editor could do that," Mr. Tether asked him to comment on a statement presented to the tribunal on behalf of the Father of the NUJ Chapel (office branch) at the Financial Times saying that it was clear that at the newspaper specialist writers were given considerable freedom within their fields, although their copy could always be changed or deleted by the editor.

Mr. Ecclestone said this would depend greatly on the nature of the particular writer's contract. He would have thought that Bernard Levin's column in The Times, for instance, was not treated in the same way as that of a junior foreign specialist. Mr. Levin would have much greater freedom.

Questioned by Mr. Thomas Morrison, counsel for the Financial Times, Mr. Ecclestone said, he accepted an editor had the basic right to determine the contents of his newspaper.

Mr. Robin Corbett, Labour MP for Hemel Hempstead and a journalist for more than 20 years

before entering Parliament, said the column's role was to express opinions and to stimulate or irritate its readers. It was never dull.

Mr. Tether, in his final address, said that his employment with the Financial Times lasted 40 years. He served under four different editors before Mr. Fisher took over in 1973.

"When the dispute started I was at the height of my career and the top of my profession, and the other principal actor in the drama, Mr. Fisher, had been with the Financial Times for 20 years."

"It is important for the tribunal to bear in mind that two of the most important realities of the situation are that the dispute started at the end of 40 years of successful work because of the attitude taken by a man who had been there for a much shorter time than I had."

The evidence showed there were no grounds on which any reasonable editor could have reached the bonafide conclusion that his work was strident to a point, as Mr. Fisher had put it, likely to prejudice the reputation of the Financial Times.

Was it reasonable, asked Mr. Tether, to expect him to believe that, co-incidentally with the arrival of a new editor, his work had become strident and hectoring?

Mr. Tether said the only conclusion he could draw was that the censoring of his work was really dictated by Mr. Fisher's unwillingness to allow his philosophy, instead of Mr. Fisher's, to prevail in the column.

Mr. Tether said that one of the main reasons why so little progress was made towards achieving a dialogue between him and the editor was that Mr. Fisher was unable to understand there was a difference between having the right to edit and a right which had to be exercised reasonably.

He could not see that in challenging the way Mr. Fisher's editorial prerogative was exercised he (Tether) was not challenging the prerogative itself.

Mr. Tether added that the Financial Times had not met the legal burden of proving that there was a custom in Fleet Street that editors had the right to change the jobs of their journalists without their consent.

Therefore, the Financial Times had not proved that the editor's directive limiting the scope of his column did not constitute a contractual change, he maintained.

The hearing was adjourned until Tuesday.

Hield plan  
to close  
Fred Ambler

By Lynette McLean

HIELD BROTHERS of Bradford is to close its Fred Ambler subsidiary, cutting Britain's finest worsted yarn capacity by up to 25 per cent.

One hundred people have been given 90-day redundancy notices and will lose their jobs in the autumn.

Fred Ambler was taken over by Hield Brothers in January 1974, when it was one of only four fine-count worsted yarn producers in Britain.

Reduced demand in Britain and overseas for the finest worsted cloth has hit the fabric makers on which Fred Ambler depended.

Hield Brothers said last night that some equipment would be transferred to its own works, and the rented factory returned to Bradford Corporation.

## Take-home beer

THE TAKE-HOME beer trade is expected to increase its share of total sales from 10 per cent to 14.3 per cent by 1985, the Brewers Society predicts.

That would alter UK habits much more with those of Continental Europe, where about six pints of beer in ten were consumed at home.

Other Crown Agents  
men 'had loans'

TWO MORE senior officials of the Crown Agents were alleged to have received loans from financier Sidney Finley, who is on trial accused of corruption.

Mr. Victor Durand, QC, defending Finley, 57, of Nightingale Lane, Clapham, South London, said Mr. Alan Challis, formerly director of finance, and Mr. Edward Morris, second Crown Agent, received loans.

When the trial opened on Monday Mr. Roy Ambler, prosecuting, said the former manager of the Crown Agents' sterling Money Market, Mr. Bernard Wheatley, had been bribed with loans from Finley totalling £320,000 as an inducement to authorise £1.75m loans of Crown Agents money to Mr. Finley's companies.

Mr. Finley is facing eight charges of corruption involving loans to Mr. Wheatley. Mr. Ambler told the jury that had Mr. Wheatley not died last year he would have been in the dock with Mr. Finley.

Mr. Durand raised the question of the other loans with prosecution witness, Mr. Eric Osgodby, assistant secretary at the Crown Agents.

Mr. Osgodby recalled a meeting with Mr. Finley in 1974 but

could not remember being told about the loans to Mr. Challis and Mr. Morris.

Mr. Durand asked: "Would you agree that loans to these two gentlemen, although repaid, would have been a matter of great interest to you?"

Mr. Osgodby replied: "Had I been as aware then as I am now of the situation, the answer is most certainly."

NEB ruled out  
of mine rescue

The National Enterprise Board will not take part in the rescue bid for Wheal Jane, the Cornish tin mine which Consolidated Gold Fields has decided to close.

Mr. David Mudd, Conservative MP for Falmouth-Cornwall, said yesterday.

This course, which he had suggested, had been rejected by Mr. Bob Cryer, the Parliamentary Under Secretary for Industry.

EEC to pay £1.5m  
to retain steelmen

MORE THAN £1.5m will be paid out of EEC funds to help retain redundant British steelworkers.

The money is to be made available for 3,374 British Steel Corporation workers. It will be put towards a £2m British programme for retraining and providing resettlement allowances.

The average of about £400 for each redundant worker is seen as a generous interpretation by the European Coal and Steel Community of Article 56 of the Treaty of Paris.

More than £900,000 is being provided for workers at Templeborough, Rotherham; Trostre and Port Talbot, South Wales; the Llanarkshire, Clyde Iron, Clydebridge, and General Terminals Quay, Scotland; and Stocksbridge, Sheffield.

A further £580,000 will go to assist personnel affected by closures at Cleveland, Hartlepool, and Shepperton, Sheffield.

British Steel has put in a variety of claims for European Coal and Steel Community help to resettle redundant workers during the last year as the corporation's work-force has been slashed down by more than 15,000.

The corporation's redundancy and compensation payments to individuals have ranged from a few hundred pounds to—in rare cases—£17,000 for long-serving senior men employed at works which British Steel has wished to close early because of the world steel recession.

A number of further British Steel claims for assistance from Community funds are in the pipeline.

To Industry  
and Commerce

## New Energy Conservation Scheme:

save yourself money,  
save the country's energy

with these new cash grants from the Department of Industry.

- 25% grants for replacement and modernisation of boiler plant.
- 25% grants for insulation of premises, improved ventilation and heating controls.
- Financial assistance for the replacement or modernisation of combined heat and power systems.
- 50% grants for associated consultancy work.

## Who is eligible?

Virtually every sector of industry, trade and commerce throughout the UK, including manufacturing and service industries; agriculture; the distributive trades; the construction industry; banking, insurance and professional services.

Saving energy can save you money. Now is the time to apply for these new cash grants to help you cut your space and/or process heating overheads—fill in the coupon and the DoI will send you full details of the scheme and the technical conditions to be met.

To: Energy Conservation Scheme Office,  
Department of Industry,  
Abell House, John Islip Street, LONDON SW1P 4LN.

Please send me 'Notes for the Guidance of Applicants'.

Name  (BLOCK CAPITALS PLEASE)

Position in Company/Organisation

Company/Organisation

Address

Department of Industry  
Energy Conservation Scheme



# PARLIAMENT AND POLITICS

## Rhodesia talks bid stressed by PM

By Ivor Owen, Parliamentary Staff

BRITAIN'S UNREMITTING efforts to convene a new round-table conference on Rhodesia were underlined by the Prime Minister in the Commons yesterday. He again resisted Opposition pressure for support for the transitional Government established in Salisbury as a result of the internal settlement.

"Hardly a day goes by without the Foreign Secretary or myself being involved in some exchange or other in attempting to get all the parties to this dispute together."

Mr. Callaghan agreed with Mr. John Davies, Shadow Foreign Secretary, that the issues involved in the Rhodesia question should transcend party politics. There was no prospect of either Britain or the U.S. being able to enforce a settlement, he insisted.

"We are constantly making moves with all the individual parties concerned to try to get them to discuss these issues and to get a settlement as quickly as possible."

Mr. Davies warned: "At the moment, we are in the course of losing, perhaps, the single greatest opportunity for securing a solution to this problem."

He urged the Prime Minister to use his influence to remove the grave suspicions against the British Government harboured among those who had signed the internal settlement, by enabling a proper and positive solution.

In notably less restrained terms, Mr. Michael Bretherton (C. Louth) called on the Government to support the internal settlement. The pursuit of a "vendetta" against Mr. Ian Smith was no substitute for a positive policy.

Mr. Sian Newns (Lab. Harlow) said: "The cost of fares to travel to school imposes a heavy burden on many parents. There is an urgent case of introducing proposals to restore half fares for all schoolchildren."

Mr. John Evans (Lab. Newton) said that many local authorities were applying the three-mile limit on reduced fares rigidly. Miss Jackson said local authorities were empowered to assist parents who claimed the fares burden was too high. But many of them were choosing not to use this power.

Mr. Roderick MacFarquhar (Lab. Reigate) was worried that children already receiving free travel would be penalised under an overall cheap fares system.

Miss Jackson said that the Department was looking at these matters. "We hope to establish a fair system and one which minimises the loss of benefit," she added.

Miss Joan Maynard (Lab. Brighton) urged the Education Department to lower fares in rural areas. "People are often low paid in these areas and it is dangerous for their children to walk to school," she said.

She said in Belfast: "It is typical Pardoeseism. He once faced me in an election in my constituency at Finchley and was soundly beaten. He has never forgiven me."

Mr. Thatcher, at the end of her visit to Ulster, also denied Mr. Pardo's accusation that she was trying to force an election alliance with the representatives of religious bigotry in Northern Ireland.

She said she had not discussed an election alliance with the unionists and, in fact, had not held any political meetings with local parties. The nearest she came was when she jointly hosted a Belfast lunch with the Unionists.

Mr. Thatcher said: "My objective is clear. I want a clear and overwhelming majority for the Conservative and Unionist party in the U.K."

There were no plans or discussions taking place under which the Ulster Unionists would return within the Conservative Whip.

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## Labour rallies to Bill on political donations

By Ivor Owen, Parliamentary Staff

IGNORING THE fact that the target date for setting private members' Bills on the Statute Book in the current Parliamentary session is no longer within range, Labour backbenchers yesterday trained their legislative sights on company contributions to Conservative Party funds.

They gave enthusiastic support to Mr. Douglas Hoyle (Lab. Nelson and Colne), a member of the Labour Group, when he successfully sought leave to introduce a Bill designed to subject companies to similar restrictions as those faced by trade unions when making political donations.

The Companies (Regulation of Political Funds) Bill was given a first reading by 190 to 127, majority 63.

Mr. Hoyle explained that the Bill would require companies to establish a separate fund for political donations and provide that shareholders should be given an opportunity to contract out.

"I am here to protect the interests of shareholders," he said.

Mr. Davies warned: "At the moment, we are in the course of losing, perhaps, the single greatest opportunity for securing a solution to this problem."

He urged the Prime Minister to use his influence to remove the grave suspicions against the British Government harboured among those who had signed the internal settlement, by enabling a proper and positive solution.

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mocked, amid cheers and laughter from the Labour benches.

For too long, contended Mr. Hoyle, the "captains of industry in their ivory towers" had been able to indulge in their political whims and fancies by providing financial support not just for the Conservative Party, but for a number of allied organisations as well.

Many of these subsidiary bodies did no more than provide "cover" as the large sums given by big business went, in effect, directly into the coffers of the Conservative Party.

In addition to the contracting-out procedure, said Mr. Hoyle, the Bill would also provide that companies should conduct a ballot among their shareholders before making political donations.

The establishment of a separate fund from which political donations could be made would be subject to majority approval by the shareholders.

Mr. Nicholas Ridley (C. Cirencester and Tewkesbury), who led Tory backbenchers in opposing

the Bill maintained that the restrictions on political donations by companies advocated by Mr. Hoyle would have little effect on Conservative Party fund-raising.

"We raise about £5m in funds every year, and over three-quarters of this comes from door-to-door collections and not from industry," he said.

He accused Mr. Hoyle of seeking to introduce restrictions basically designed to penalise the Conservative Party at a time when the best interests of all concerned with fund-raising for political parties lay in preserving the status quo.

Mr. Ridley pointed out that shareholders already had the opportunity to protest against political donations at annual meetings of companies and, if they wished to opt out altogether, they could do so by voting against the resolution to raise funds for political parties.

He suggested that many trade union members objected to making political donations to the Labour Party and reminded Mr. Hoyle that in his own union — ASTMS — 63 per cent of the members had contracted out of paying the political levy.

Mr. Hoyle replied that the Bill was not designed to penalise the Conservative Party, but to ensure that companies made political donations in a transparent and accountable manner.

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## Callaghan hopes for Phase 4 agreement

By Philip Rawstorne

MR. JAMES CALLAGHAN told the Commons yesterday that he still had "considerable hopes" for a Phase 4 pay agreement with the unions.

Whether the hopes were justified or not, the Government's position would be stated clearly and truthfully, he declared.

The Prime Minister, who is expected to put forward the Government's proposals soon after the round of union conferences ends next month, said it was clear that pay increases would have to be kept in single figures if the rate of inflation were to be held down.

Britain's inflation rate was now lower than several of its competitor countries but was still higher than that of Japan, Germany and the U.S.

"I would like to see it comparable with those also," he said.

Challenged by Mr. Margaret Thatcher to forecast the rate of inflation for next year following the rise in earnings in April to an annual rate of 15 per cent, Mr. Callaghan said he had no reason to withdraw what he had said previously.

"We shall need a substantially lower rate of increase in earnings next year if we are to maintain inflation at the present level."

As the Tory leader persisted, Mr. Callaghan reiterated: "There is no reason why inflation should rise into double figures if we adhere to our policies and keep the increase in incomes to single figures."

Questioned again by Sir Geoffrey Howe, Tory economics spokesman, about the April earnings figure, Mr. Callaghan said it showed that it was necessary to carry the consent of the people to pay restraint.

"I do not think either side stands for a statutory incomes policy," Mr. Callaghan declared.

The Prime Minister said that Tory gloom over the possibility that Phase Three had failed was to be expected. "I do not think, however, that we should accept that one month's figures reflect the true situation," he said.

Some 800,000 building workers had settled for a 0.75 per cent increase, and the Phase Three outturn might well be below 15 per cent.

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# LABOUR NEWS

## BL Cars acts on unofficial strikes

By Arthur Smith, Midlands Correspondent

BL CARS has called a meeting with shop stewards at Longbridge, Birmingham, on Friday, to discuss its concern at the growing problem of unofficial strikes.

The move at Leyland's biggest plant, with 20,000 manual workers, is interpreted by some senior union officials as the first step to crack down on indiscipline and poor productivity.

Good performance at Longbridge, the volume car plant scheduled to produce the £250m replacement for the Mini, is particularly important. Output has improved in recent weeks, following a threat from management that any shortfall in Mini production would have to be met by imports from the Sennece plant in Belgium.

But there is no mistaking the mood of uncertainty in a plant where nearly 1,200 jobs have already been shaken out this year as the result of a management drive to improve productivity.

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## Basnett accuses Bank of England

By Christian Tyler, Labour Editor

THE Bank of England was accused yesterday of a klee-flying attempt to pre-empt Ministers' and negotiators' decisions about pay levels in the next bargaining round.

Mr. David Basnett, TUC chairman and general secretary of the General and Municipal Workers' Union, described as disruptive the Bank's suggestion that earnings should be kept below 8 per cent—implying 5 to 6 per cent on wage rates—after the stage three 10 per cent limit expires at the end of next month.

Mr. Basnett said that the Bank's suggestion was a "klee-flying" attempt to pre-empt Ministers' and negotiators' decisions about pay levels in the next bargaining round.

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# Management

## Japanese industry welcomes the men from the Ministry

IN THE UK the tendency for civil servants to meddle in industry is often deplored, because they are thought to be unsuited, by training, experience and attitude of mind, to take business decisions. How is it, then, that in Japan the deep involvement in industry of a large, powerful and pervasive bureaucracy has produced such excellent economic results?

Part of the answer, as Chalmers Johnson points out in an admirably clear and informative book, lies in history. The Japanese state had its beginnings under an oligarchy which created and nurtured a powerful bureaucracy to serve its own interests. Even now the normal Western device for supervising the civil service, a parliamentary assembly, has not developed to the point of real effectiveness. The American occupation sought to bolster the influence of the Diet (Parliament), but the unintended effect of the reforms carried out by the Americans was to strengthen the state bureaucracy, at the expense of the military and, to a lesser extent, of the family-controlled industrial groups or zaibatsu.

Although the power of Ministry officials is a source of much debate and criticism in Japan, the worst excesses of bureaucraticism appear to have been avoided. This is partly due to Japan's long experience with bureaucracy and to the sophisticated ability of the officials themselves. It is also due to the range of instruments through which the bureaucrats exert their influence. One of these is the public policy company—an organisation set up and/or supported by the state to achieve certain national objectives. Such bodies are common in the West, but, Johnson suggests, the Japanese have used them more extensively, more flexibly and more skillfully than any other country.

He distinguishes six categories of public policy company, based on proximity to the sponsoring Ministry and the degree of control exercised by that Ministry. At one extreme are the direct government enterprises like the postal service, of which there are remarkably few in Japan.

The author explains that dur-

ing the post-war period the Government has attached the highest priority to the balanced budget. Hence when new services had to be provided, they were put on a "pay their own way" basis. The public corporations, with separate management and accounting, proved an admirable vehicle for this purpose. "In Japan people pay public corporations directly for many government services that are provided free in other societies. At the same time the Japanese enjoy one of the lowest tax burdens of any OECD nation. The relatively low level of direct government activity is merely the other side of the coin of an extremely active public corporate sector."

### Public sector

This sector includes bodies like the Japan Housing Corporation, which builds apartment blocks in the suburbs of large cities; the Japan Export-Import Bank and the Japan Development Bank, the largest of the country's finance corporations; mixed public/private companies like Japan Air Lines; auxiliary bodies like JETRO, the external trade organisation; and national policy companies like Kyodo Oil, set up in 1963 to establish a nationally-owned presence in oil refining and distribution.

Johnson's sixth category consists of ostensibly private sector companies which are the Government's chosen instruments in particular sectors, like Fujitsu in computers. Companies in this last category "are distinguished by having a high concentration of retired government bureaucrats on the boards, strong delegations of their executives on powerful government advisory commissions, and a history of direct involvement with the Government in forms such as governmental assistance at their births, administrative guidance, governmental subsidies and governmental brokerage in effecting mergers or joint ventures. These companies are comparable to the defence industries of the United States."

The classic example is Nippon Steel, the world's largest steel producer, formed in 1970 by a merger between the Yawata and

Fuji steel companies. Yawata had been owned directly by the Government until 1934. Even after that retired officials of the Ministry of International Trade and Industry (MITI) continued to dominate its board of directors, so that its described MITI itself as "the Tokyo office of the Yawata Steel Company." The Americans split the company into two during the Occupation and its re-creation in 1946—during a period in which the Government was encouraging large-scale mergers in several industries—was a triumph for bureaucratic nostalgia.

Two key features of Japan's public policy companies are the financing system and the appointment of ex-bureaucrats to top managerial positions. From 1953 onwards Japan has had what is sometimes known as a second budget in the form of the Fiscal Investment and Loan Plan (FILP).

Through this arrangement funds deposited by the public in the government's various savings accounts are consolidated for planning purposes and used for investment, either in the public policy companies themselves or, through intermediaries like the Japan Development Bank, in companies and industries regarded as high priority. FILP is both a device for channelling the savings of individuals into industry (a substitute for an active stock market) and an instrument whereby the state can guide private capital investment.

This book shows how the Japanese have borrowed a Western-type institution—the public policy company—and used it in a way which is uniquely Japanese. Yet the uniqueness of the system does not mean that it is impossible to understand, or that some elements of it may not be applicable in other countries. The problems of bureaucracy are international: how Japan has dealt with the problems deserves to be closely studied by other, less successful, industrial countries.

"Japan's Public Policy Companies," by Chalmers Johnson, American Enterprise Institute \$3.75

Geoffrey Owen

## Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

### MATERIALS

#### Drive for oil industry business

SOME 60 per cent of Union Carbide Corporation's coatings service research and development budget is being concentrated on work for the oil industry and the company is making a particularly vigorous drive to attract work from this rapidly growing sector.

New coatings applications have been studied for offshore platform equipment, onshore installations and down hole equipment. Hard coatings, Coatings Service Division, Drakes Way, Swindon, are developing guide shoes for down wells SN3 3BX. 0793 29241.

#### Long-life lintels

LIGHTNESS ON site, protection from corrosion attack and long life (up to 60 years) are the advantages offered by Hilmith Lintels with the use of its Thermolintels which have just been approved by the British Standards Institution.

This medium-sized company, originally established in 1924 for making steel fencing, has it, claiming, led the field in manufacturing and supplying crash barriers for motorways in the UK. Looking to the future, and with plentiful plant and resources, it has developed the lintels as a

hole inspection devices. Ball valves can be coated with chrome oxides or chrome carbides to resist wear. At the same time, jar mandrels coated with tungsten carbide are under test.

New coatings, developed for areas of particularly severe wear, such as on drilling equipment, are being applied to plungers for well treatment pumps.

Because of the importance the company is attaching to this corner of its market, a new position—European programme manager, oil industry—has been created and Mr. Brian Phipps, who is based at the Swindon centre, has been appointed. He has long experience in coating services in the UK and Canada. More information from Union Carbide, Coatings Service Division, Drakes Way, Swindon, Wiltshire SN3 3BX. 0793 29241.

Redland's Buddon Wood quarry is reckoned to have re-

### TRANSPORT

#### Redland makes more use of rail links

WITH ITS marketing eye on the estimated annual 65m. tonnes of aggregate required for construction and civil engineering work in the south-east of England, Redland Aggregates in conjunction with British Rail has embarked on a major scheme for the transfer of crushed granite from its Buddon Wood, Mount Sorrel quarry in Leicestershire to receiving depots at Redlett, Herts., and Higham, Suffolk.

A new railhead at Barrow-on-Soar is an important part of the 21m project, half the cost of which is being met by Redland and half by a grant from the Department of the Environment under Section 8 of the Railways Act, 1974. Under this Act any commercial organisation can apply for a Government grant of up to 50 per cent of the cost of sidings, terminal facilities and wagons.

Redland's Buddon Wood quarry is reckoned to have re-

process is continuous and produces a zinc coating approximately .001 in thick and only a negligible alloying of the zinc to the base metal.

The process used by the company involves the chemical cleansing of the product by immersion in hydrochloric acid and its subsequent immersion in molten zinc at 460 degrees C. The baths used are 13 ft deep allowing most lintels to be dipped vertically to ensure a smooth coating of zinc of generally uniform thickness.

More from them at PO Box No. 4, Canal Street, Brierley Hill, West Midlands, DY5 1JL (Kings-winchford 70223).

#### Pipeline life extended

DEVELOPED by The General Descaling Company following recent trials in collaboration with the Water Research Council, an epoxy resin paint is claimed to be ideal for lining pipes up to 10 inches diameter.

The company expects the coating—which is applied by a high-speed centrifugal process—to have a life of 20 to 30 years or more and because it is quick drying it can be applied to lengths up to 130 metres at one time. Drying is so rapid that water pipes can be restored to service at the end of each working day.

Further from the company at Redford Road, Worksop, Notts, S80 2PY (Tel: Worksop 3211).

serves of over 100m tonnes of stone and it has in operation there one of the largest primary crushers in Europe capable of dealing with 5m tonnes a year. With its present equipment, which includes secondary crushing plant and other processing machinery, the quarry is producing over 1m tonnes a year and this is now being carried on conveyor belts running for 11 miles to the sidings at the railhead at Barrow-on-Soar.

The loading sequence of different sizes of crushed stone and the number, weight and timing of batches is controlled at the sidings by an operator who is in constant contact with a computer which "watches" over operations at the quarry.

Overall capacity of the loading system is 1,000 tonnes an hour and it takes about two hours to load a 36-wagon train with 1,800 tonnes. Trains move under the loading point at a speed precisely related to the rate of dis-

### COMPUTERS

THIRTY years ago today a research team at Manchester University successfully operated a stored-program machine for the first time anywhere—they operated a computer as it is generally accepted today. Now, the computer industry with all its ramifications into industry, education, government and defence has grown to the third largest industry worldwide, after petroleum and transport. The all-British team was led by F. C. Williams and Tom Kilburn. Sir Frederick Williams died recently. Professor Kilburn is the guest of honour at a luncheon to be held in Manchester to mark the event. Other members of the team who today will meet again under the aegis of the National Computing Centre include Dr. Alex Robinson now at UWIST in Aberystwyth, Dr. Geoffrey Toothill (NPL) and Dr. T. Thomas (Edinburgh Regional Computing Centre).

### PERIPHERALS

#### Terminal family

INTRODUCED by Digital Equipment Company are a number of terminals, based on a new video unit VT100, which are fully compatible with the PDP-11 computer line.

They all incorporate the company's LSI-11 microcomputer, can support multiple workstations and offer a choice of communications formats.

Two of the models, the 11/110 and the 11/130, have video only, while the third, the 11/150, offers a choice of video or hard copy. The two latter types have magnetic storage.

### BUSINESS PROBLEMS

BY OUR LEGAL STAFF

#### Building site adventure

I own a building site which I bought with the intention to sell after contract but before completion, because I had pre-arranged a sale before negotiating the purchase. Before my completion date my solicitors passed to me a cheque for 10 per cent, and informed me that the purchaser had contracted to buy the land. However, very soon after this I was informed that, in fact, contracts had not been exchanged with my purchaser and that my solicitor had made a mistake. As is usual in such circumstances, I kept the 10 per cent in lieu of damages—this amounts to £3,750.

I now have to complete my tax return for the relevant year. Could you please tell me if this amounts to capital gain, or income, or what?

The transaction may well be regarded as an adventure in the nature of trade, so that the current and prospective profits fall within the scope of income tax (under case I of schedule D).

If neither you nor the inspector invoke the income tax rules, however, the forfeited deposit will be chargeable to capital gains tax, as though it were the proceeds of sale of an intangible asset which had cost you nothing (under paragraph 14(8) of the seventh schedule to the Finance Act 1965).

#### Not a pretty picture

An art gallery, selling pictures by local artists and accepting a small commission, sold the same picture twice. After the exhibition closed, the second purchaser took possession of the picture, but was later told of the error and gave the picture up. What, please, is the legal position of the three parties involved?

The second purchaser is not entitled to the picture, but has a claim against the seller for breach of contract. That claim would be for the loss of bargain, that is the difference between the purchase price and the actual value of the picture. It is thus likely to be no more than nominal if the artist is available to paint to commission.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

## Chemicals: a divided industry looking for EEC help



WHEN Viscount Etienne Davignon agreed to meet chemical industry leaders in Brussels next week for the latest round of talks on the industry's pressing problems the least he was hoping for was to be presented with the pleas of a united industry. Action must be taken quickly to solve the troubles of Europe's chemical industry, the EEC's industry commissioner warned recently.

But without a clear economic philosophy behind the action, the problems could only be made worse.

Unfortunately for Viscount Davignon, while the Commission's industry secretariat hoped to deal with the deep-rooted problems before the crisis became too severe, the wish to act with a degree of foresight is being thwarted by the chemical producers' inability to present a united stance.

The European chemical industry employs more than 2m people and has a volume of sales larger than any other chemical industry in the world. But important sectors of the industry, chiefly plastics and base petrochemicals, have been badly hit by serious plant over-capacity, weak prices and falling growth rates. The basic cause of the present crisis is the complete loss of growth experienced in crucial markets since 1974, a boom period for chemicals.

Producers, stretched to an expected continuing demand, put in train a major investment programme for building new capacity involving larger and larger plants. This capacity has been coming on stream in the last couple of years, but market growth has collapsed.

Part of the industry's response has been to look to Brussels for help, although it is clear that he considers the industry itself is to blame for much of its present misfortune, even though a few individual companies are doing a good job.

It has the status of a non-governmental organisation. It is governed by a general assembly with a president and vice-president and a committee of the national federations. Its remit covers all the industry's affairs which are more than purely national, including international trade, protection of the environment, distribution and safe transport of chemicals, energy and the supply of feedstocks.

Certainly CEFIC has been extremely short of resources. Until recently its executive organisation consisted of only five people: the director general, Dr. Gustave Bunge, formerly a senior executive with Hoechst, along with four seconded or ex-employees from BASF, Montedison, Rhone Poulenc and Imperial Chemical Industries. At the same time, the industry directorate in Brussels is supervised by just one man, Mr. Walter Schaefer.

In order to sharpen its policies CEFIC recently decided to form a new general policy committee to consist of a select number of the most senior executives in the industry. How successful this initiative will be depends, however, on the number of companies that consider themselves among the "select" of the industry.

Fundamentally, however, the industry's problem is how to show a united face to the world, when disagreements often run very deep.

The Dutch chemical industry has urged what is perhaps the most practical approach. It proposes speeding up the current time-consuming anti-dumping procedures in the Community and would like a system of "normal values" based on the cost of the most efficient producer. If products were offered below these prices, the Commission could act more quickly on a complaint. They are also seeking a register of buy-back deals with Comecon countries.

To achieve a re-ordinated approach to over-capacity, say the Dutch, the industry must first improve its statistics, which are currently either non-existent or misleading. This is a point stressed by Walter Schaefer of the Commission. "It is CEFIC which brings the problems to the Commission. I would like them to quantify their difficulties. I have had to send them back to do their homework on such issues as competition with the U.S. and the Eastern Bloc."

But time is running out for the chemicals industry if it wants to put its own house in order. As Mr. Schaefer points out, at the moment, "decisions tend to be based on the lowest common denominator, especially when the impact on individual companies is conflicting."

Some CEFIC members are not even convinced that Brussels representation itself is necessarily a good thing, although others are aware that the process of government involvement in industry is irreversible.

Mr. Martin Trowbridge, director general of the Chemical Industry Association in the UK, is a protagonist of the latter view. "I suggest that on an industry-wide basis chemicals public relations effort at EEC level, even though a few individual companies are doing a good job, is not lost by default," he says. "This, however, is no proper solution for the longer-term future. While the 'listen-CEFIC is founded, not on membership but on a pan-European chemical federations of 14, try, we are committing anything like enough resources—either nationally or on a pan-European governmental organisation. It is based to the active aspects of the work needed in Brussels, with a president and vice-president and a committee of the national federations. Its remit covers all the industry's affairs which are more than purely national, including international trade, protection of the environment, distribution and safe transport of chemicals, energy and the supply of feedstocks."

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Kevin Done

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### SURVEYING

#### Spy plane is a model

TO CUT costs, radio controlled model aircraft are now being used to take photographs from the air by Photair Services of Oxford, Surrey.

Shots are taken using a nine foot wingspan model powered by a methanol-fuelled glowplug engine and carrying either a 25 mm wide angle or a 24 square camera. The aircraft flies at 20 to 30 mph and shutter speed can be set to a 500th or a 1,000th of a second.

Applications are in archaeological work, motorway route planning, crop growth and disease detection using infra-red film and perhaps even for property and sports photography.

More on Oxford 2245.

### WELDING

#### Absorbs the fumes

LONG-STANDING problems associated with welding fumes have been treated with an assortment of units, which give limited efficiencies, short operating life, high operator maintenance, or heat losses associated with the discharge of exhausted fume to the outside atmosphere.

Carbonyl Environmental Systems has a new fume control unit, the Fumeline, which will deal with fume generated by all welding applications and will also remove the odour traditionally associated with units which return the exhausted air direct to the working environment.

Component in the new equipment is its giving efficiencies in excess of 99.6 per cent (verified by independent tests) and removing dust, smoke and aerosols, sub micron particle sizes.

The unit will handle an exhaust rate of 400 cfm from its 0.55kW fan, the outlet of which is acoustically treated to achieve a low operating noise level of 78 dBA maximum.

Technical details from Carbonyl Environmental Systems, Spencer and Halsewood, Orsett, West Yorkshire, WFA 8AW. 0824 275121.

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# A lesson in caution

BY COLIN JONES

THE SKIRMISHES the Government has been having with the European Commission over the UK's shipbuilding, employment, and North Sea equipment subsidies are nothing compared with the thrust now being mounted by the Americans on the issue of industrial subsidies generally. The U.S. is exerting its strongest pressure in the current GATT trade negotiations but the subject is also likely to be discussed at next month's summit meeting of the world's leading industrial nations at Bonn where the U.S. can expect strong support from the West Germans.

## Mandate

What makes the American contentions a force to be reckoned with is the negotiating mandate their trade representatives were given by Congress. Unless some kind of international agreement on industrial subsidies has been concluded by the end of 1978, the provisions in the 1974 U.S. Trade Act making compulsory the imposition of countervailing duties on U.S. imports receiving production or export subsidies in the country of origin will come into operation.

The Americans want the Europeans in particular whom they see as the main villains in this matter, to agree to greater disclosure of subsidies, to bring up to date (which means widen) the 1960 GATT list setting out what is regarded as an export subsidy, and to endorse the principle that ideally all subsidies should be phased out. In return, the U.S. would appear prepared to accept the test of "material injury" for counter-measures against subsidised imports which other GATT members have been operating since 1947. This is not a straightforward trade-off, as subsidies would form part of a wider GATT package embracing tariff and non-tariff trade barriers. But the Americans are adamant that without some new understanding on subsidies it could be much more difficult to resist U.S. industrial and political pressure for protective measures against foreign competition.

The obstacles to an agreement may be considerable but the chances of making one are even more formidable, as is evident from the experience of the European Community. Of course, the Commission in Brussels carries nothing like the guns of the U.S. Administration or of any EEC national government, but the difficulties it has had to contend with are none the less instructive.

## TV/Radio

† Indicates programme in black and white.

**BBC 1**

6.40 am Open University. 10.55 Cricket: Benson and Hedges Cup semi-finals. 1.15 pm News. 3.30 Bagpuss. 1.45 Interval. 4.10 Tennis: Royal Ascot/Cricket. 4.18 Regional News for England (except London). 4.30 Play School (as BBC 2 11.00 am). 4.45 Deputy Daws. 4.50 Newsround

Weekly. 5.15 Regional News (except London and South-East). 5.30 News. 5.30 World Cup Grandstand: Australia v West Germany. 7.35 Monty Python and the Holy Grail (BBC prize-winning artists and shows). 8.20 "Ice Station Zebra," starring Roger Moore. 10.40 News Headlines. 10.45 World Cup Grandstand: Peru v Argentina. 1.00 am Weather/Regional News.

## F.T. CROSSWORD PUZZLE No. 3698

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29

**ACROSS**

1. Illuminate mentally and physically (5, 5, 4)

2. Tapestry that could be partly embarrassing (5)

11. Fish with one insect? It's clever! (9)

12. Source of scrolls arranged as a deed (4, 3)

13. One who scoffs at any French jockey (7)

14. Share with us narcotic fruit (5)

15. In foreign money I have interest (8)

16. Chief gets nothing in head-fall outcome (9)

20. What occurs when woman gets wrong book (5)

22. Chap admits member in clothing (7)

23. Pipe while going round thoroughfare (7)

24. Wrongly made a rose to mete out (8)

25. Lawful part of public library (5)

29. Gradually giving Eric's alternative title (6, 2, 6)

**DOWN**

2. Following this in a future state (9)

3. Duck a little sister in a deserted spot (5)

4. Balance I ran incorrectly for bookkeeper (9)

5. Work by crank gives smile to deputy leader (5)

**SOLUTION TO PUZZLE No. 3697**

1. TALKER 2. THE POINT 3. W 4. A 5. Y 6. A 7. A 8. A 9. A 10. A 11. A 12. A 13. A 14. A 15. A 16. A 17. A 18. A 19. A 20. A 21. A 22. A 23. A 24. A 25. A 26. A 27. A 28. A 29. A

# The year that gave us the best of Irises

HAS THERE EVER been a better year for irises? There have been two bursts of rain in their flowering season, neither of which has damaged them too badly. There have been clear skies to show off their colours, but not such hot sun as to wither the flowers before they have had a day or two of opening. I doubt if there have ever been such connoisseurs of the iris as the pre-industrial Japanese. But their poems on iris-flowers against a pale blue sky have come home to us all this summer, even if the flowers on our big bearded varieties are larger and more strongly coloured than the Japanese placed so cleverly. I am tempted to copy Kew Gardens and lay out four formal beds of bearded irises simply for the sake of a bright fortnight. Thoughts of ground-elder, lifting, clearing and dividing are easily brushed aside when the flowers are at their best.

How can the season best be prolonged? For a start in April and May, you should find room for the small variations on Iris Pumila. Suppose you have a flat topped low wall with one of those standard six-inch wide strips of earth in it, left conspicuously by a pre-war builder who assumed that you would fill it with rubble. The blues and the yellows are well known, Amber Queen being the one to look for. But my favourite by a long way, perhaps my favourite iris of all, is the newish American Green Spot. One bit of this has grown into six good clumps and innumerable fragments for friends to plant for years. It has freely, special shade of waxy green-white with darker green marks on the falls. Although it is hardly a foot high, it lights up the garden for three weeks in early May. I know nothing like it and recommend it strongly for any wall, rock garden, edging or border which is struck at least by half a day's sun. There are other good ones, the white The Bride and the violet Blue Pygmy. But Green Spot is the best of the easy ones and so valuable because it flowers that month or so before the full iris season.

Again among the lower varieties, the striped leaves of the variegated form of Iris sibirica are also worth the price. Only a foot or so high, they are ragged in early April, but will soon recover.

These two, then, will give you something worth looking at in the usual iris season: what then, of the big iris Germanica, the named varieties which are so spectacular? There are two ways of building a good collection. During this week or so, you should note the best local clumps as they go out of flower in nearby gardens. In early July you can then trouble the owners for an outlying rhizome or two. In all honesty, they are the better for being split up. Early July, after flowering, is the right season for the job. You can be a bit later in the year but the later you split and plant, the less your chances of a full show of flowers on the parent and child next year.

Nonetheless you will want irises of your own choice. Kew's excellent iris garden has been a fine place to see a wide range, like most gardeners. I have my should note the best local clumps as they go out of flower in nearby gardens. In early July you can then trouble the owners for an outlying rhizome or two. In all honesty, they are the better for being split up. Early July, after flowering, is the right season for the job. You can be a bit later in the year but the later you split and plant, the less your chances of a full show of flowers on the parent and child next year.

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# Financial Times Wednesday June 21 1978

There are two obvious, but important, tips: irises must be planted with their rhizomes, or central roots, flat and largely above ground. If buried, they rot and fail to be ripened by the sun. The roots proper will anchor the rhizome into the ground. If you have never planted one before and cannot see what I mean, ask an experienced neighbour before you muddle its prospects. The second point is to plant only in clean ground. If you want a new iris-bed, poison the existing green weed, especially bindweed and ground-elder with a weed-killer based on, say, Paraquat.

Then, apply a stimulant (Weedex, for instance), which kills weed seeds in the soil and lingers on for three months. Then, and only then, put in your new selection. Ground-elder seldom arrives out of the blue: it is simply latent in the bed before you begin. Once you have it in an iris bed you will raise the day you read the columns. But will come your best Starshine, out on the bonfire or on the list of free gifts to acquaintances, not friends. But it is from such impatient chattering that the prudent reader's best iris-bed, cleaned and horizontally-planted, will be formed.

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## GARDENS TODAY

BY ROBIN LANE FOX

nothing so bright in the front of a border that they distinguish it throughout the year. My two plants have now multiplied into three and are full of the pale violet blue flowers which go so pleasantly with their greyish leaves, striped with deep cream-white. It may seem rather tame to grow an iris only for its leaves, but these are so bold and so easily placed that no keen gardener should pass them over.

One of my most valued plants, over the years, and certainly not one of those irises which has to grow in a damp place. Mine are best in a dry and well-drained light loam. They look rather

nothing so bright in the front of a border that they distinguish it throughout the year. My two plants have now multiplied into three and are full of the pale violet blue flowers which go so pleasantly with their greyish leaves, striped with deep cream-white. It may seem rather tame to grow an iris only for its leaves, but these are so



Wednesday, June 21 1978

## CALIFORNIA

Besides its acknowledged economic eminence among the States of the Union, California has often given the lead to American society in other fields. Its citizens' revolt against property taxes may prove yet another instance of this particular flair.

## Trend setting once again

By Jurek Martin  
U.S. Editor

JUST WHEN it seems that the rest of the U.S. has conveniently forgotten about its western flank, California has a habit of bringing both its existence and its pre-eminence to the public eye. Thus it was that earlier this month the State which has given the country over the last generation the free speech, anti-war and leisure movements, ecologists and flower children, earthquakes and drought, Charles Manson and Patty Hearst, Jerry Brown, Ronald Reagan and Cesar Chavez in sometimes bewildering profusion did it again. California, so its electorate decreed in a State-wide referendum, is the home of the middle-class tax payers' revolt and the rest of the U.S. is confidently expected to pick up the banner.

The basic question begged by this extraordinary assertion of democracy in action is whether California has taken off on one

of its weird tangents or whether it reflected a sense of maturity and a desire for order. Persuasive arguments can be made on both sides of the issue. The principal architects of the tax-payers' rebellion came from the southern conservative heartland and they seem to have gained an ascendancy on the State's political and social stage. Four years ago California seemed to be swinging to the left; the last elections in 1976 were less conclusive. The political pendulum may therefore yet move back in the other direction.

But in economic terms the evidence is that California, the most populous State in the union and one whose attractions are once more luring over 300,000 settlers a year inside its boundaries, has genuinely matured. It still experiences deeper recessionary valleys and higher prosperous peaks than most, but with a gross State product currently running at an annual rate of about \$230bn—exceeded only by about half-a-dozen nations in the rest of the world—it is hardly the vulnerable fledgling it once was.

At present California is prospering. With the aerospace industry out of its doldrums and with winter rains and snows banishing the fear of a critical third year of agricultural drought, all forecasts suggest that the State will outperform the rest of the nation. California because of its large influx of population, traditionally carries an unemployment rate above the national average, though the current spread (7.8 per cent versus 6.1 per cent) is a little wider for the comfort of some economists. It is, however, well under the 10 per cent level reached in the 1974-75 recession. Housing construction, which

has soared over the last couple of years, is also expected to slow down somewhat this year. But that negative impact is more than overshadowed by the anticipated surge in private capital investment (the State's supposed "anti-business" climate notwithstanding), consequent decent expansion of the job market, reasonable growth in consumer spending, and the sharp advance in the State's international trade, which has been a major factor in sustaining recovery since the 1974-75 recession.

It is also clear that the attitude of the State Government towards the private sector has changed appreciably over the last year. No matter how distasteful a politician he may be to many corporate executives, Governor Brown has shown a new sensitivity to commercial needs, with particular focus on the imperative of attracting both domestic and foreign capital investment to California to expand the State's already diverse and highly sophisticated industrial and services base.

## Volumes

California's banking sector alone speaks volumes for its attractions. When I first lived in San Francisco in the mid-sixties, there was almost a sense of uniqueness about using the old Barclays DCO office. Today the financial districts of both Los Angeles and San Francisco are literally stuffed to the gills with foreign banks serving both domestic consumer needs and capitalising on international trading opportunities.

And business is doing well in California. A survey of 87 of the largest State-based corpora-

tions issued earlier this month by the United California Bank showed profits up 11 per cent in the first quarter of this year compared with the corresponding period a year ago. This is nearly double the national average increase—and no mere freak either. Dr. Raymond Jallow, the bank's chief economist, points out that over the last year Californian businesses have earned twice as much as companies elsewhere and he predicts that this performance will continue.

It might therefore seem surprising against this background of indisputable good times that the State's middle class should rise up and say "enough" to property tax increases, and demand cuts in public spending. After all, this is a State whose median family income is approaching \$20,000 per annum, or about 18 per cent more than the national average, and whose citizens has over the years become accustomed to social services generally superior to that found elsewhere in the country.

But property taxes cut deep into the middle-class soul, as much in California as in any city or county in Britain. Apart from Alaska, a special case in its own right, California is the most highly taxed State in the country and matters appeared to be getting worse rather than better. Homeowners were repeatedly receiving notices that their property taxes were being doubled, or often more, at a time when they could not help but notice that the State Government, as frugal under Governor Brown as it had been under Ronald Reagan, was accumulating a \$5bn budgetary surplus.

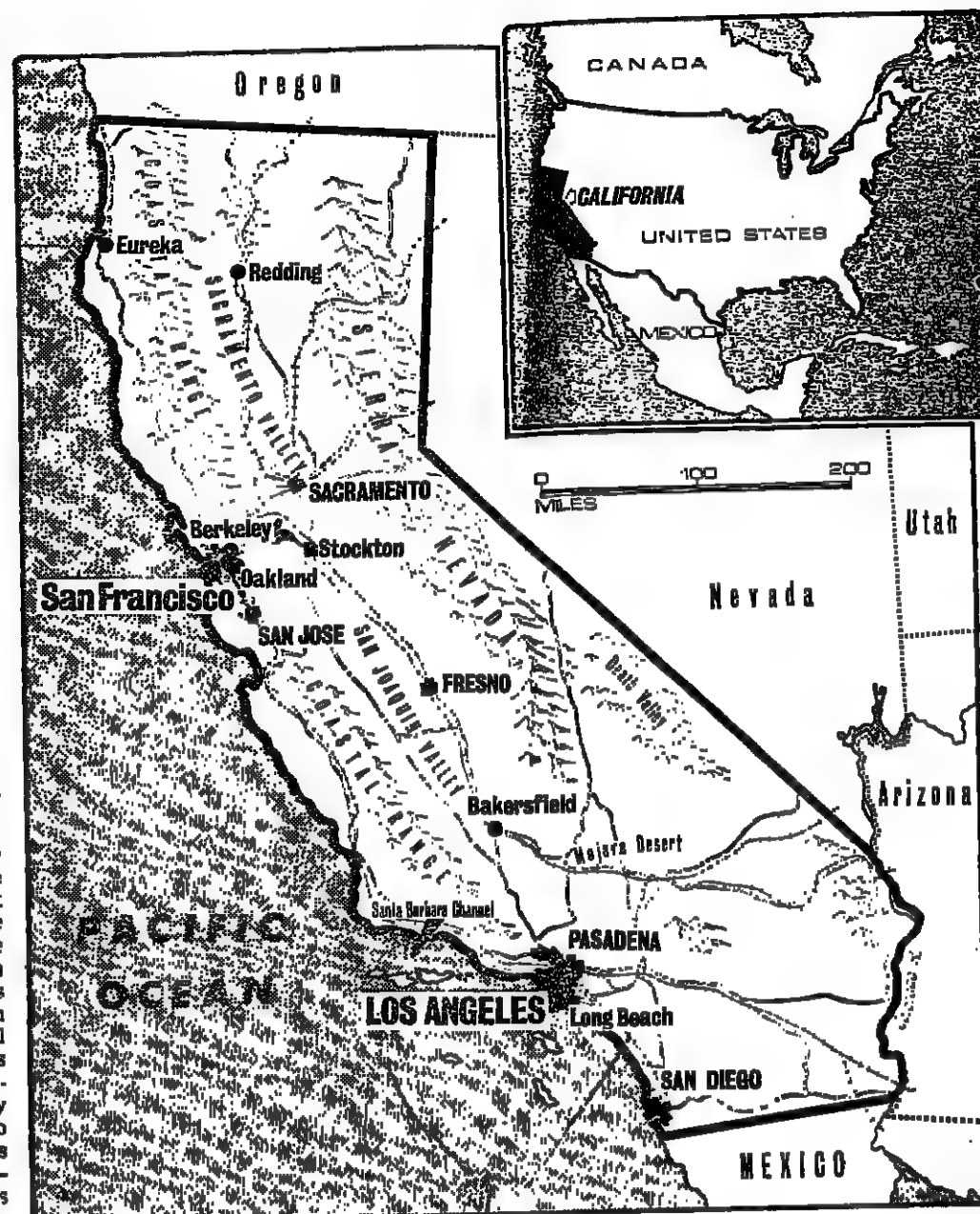
Combine appreciation of this

anomaly with a deep middle-class prejudice against those obtaining welfare benefits and the seeds of the rebellion are sown. In reality they had been lying dormant for some time. For Governor Reagan had spent eight years in office regularly inveighing against those who could work but chose instead to avail themselves of welfare.

It is a fair criticism of Governor Brown that he might have anticipated the rebellion by seeking to put the surplus to work to defray the tax burden. As it now stands, he is charged with the even worse task of presiding over deep cuts in public services in order, as he puts it, to meet "the will of the people." It will be an exercise that the rest of the country—not to mention a fascinated economics profession—will watch with minute interest.

The tolerance of an affluent populace to reductions in services it has come to expect is an unknown factor. So too is the extent to which economic activity will be stimulated by tax cuts on both individuals and companies in the absence of other special circumstances.

California has thus become once again the test tube of the nation. Suddenly the great traditional issues that have always turned the national eye westwards—the beauty of San Francisco, the smog of Los Angeles, the North-South divisions, the wonderful diversity of its geography, its fads and social and political unrest—have been overtaken by hard economics. It only goes to prove the point that Californians have been making for ages—that as goes California so does the rest of the country in time.



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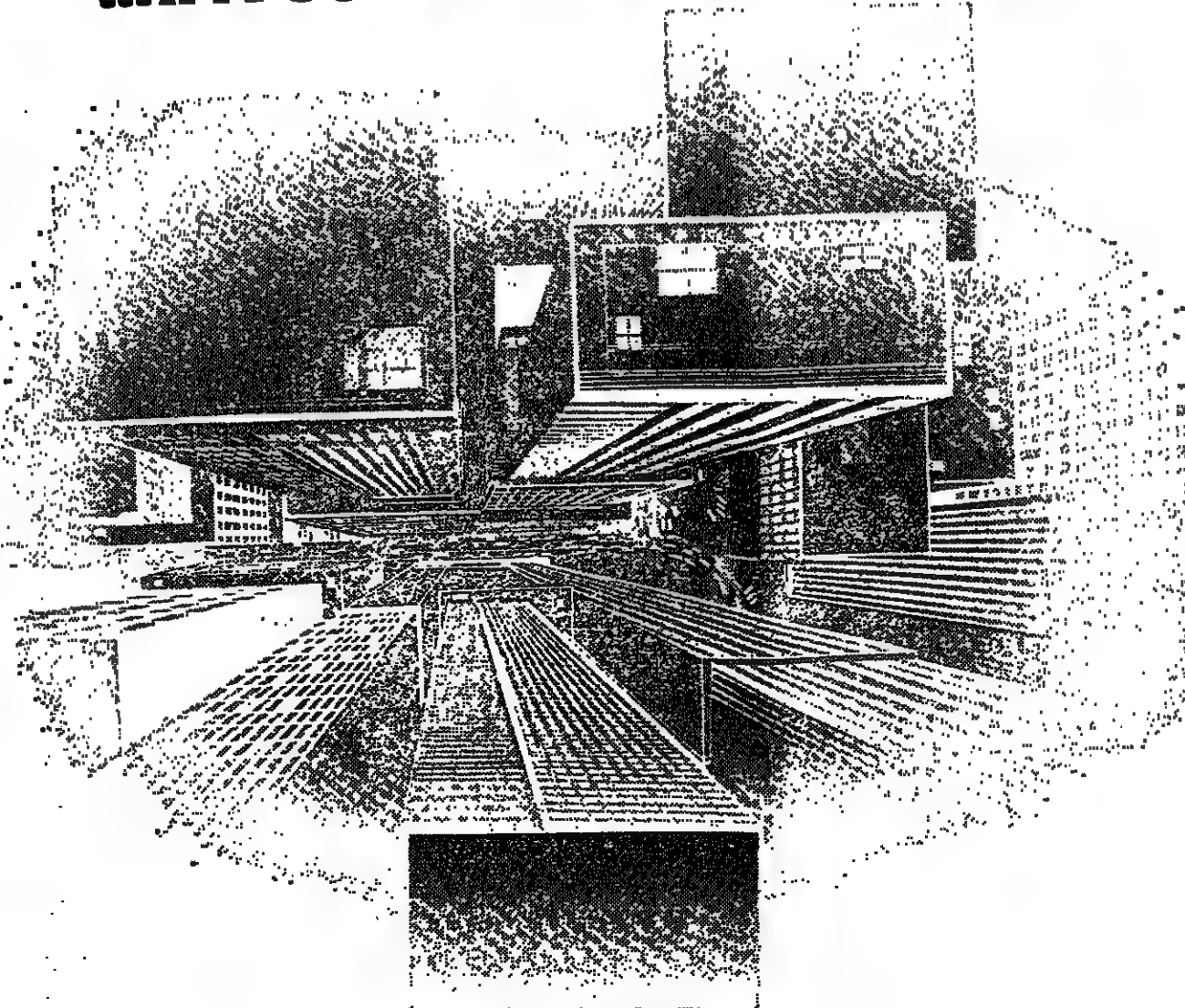
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## CALIFORNIA II

## Environmental challenge

IN COMMON with other regions of the U.S. California is suffering from what many economists believe is an inadequate level of capital investment to maintain growth and high levels of employment.

In part this reflects the pace at which the service sector of the Californian economy has expanded. But since 1975, following the first few months of Governor Jerry Brown's accession to office, an incessant theme of many of his critics in the business community has been that political conditions which he has fostered in the State have contributed to the creation of an anti-business climate.

This, it is argued, is discouraging companies from outside the State to site new facilities in California and encouraging some of those already there to locate new plants elsewhere.

Thus Mr. Carl Hartnack, vice-chairman of the third largest bank in California, Security Pacific, says that he first became concerned about the business climate shortly after Mr. Brown was elected, mainly because of his approach to appointments in some of the State's principal commissions and agencies. He says that the deterioration in the business climate in the State has impeded economic growth, making it harder to do business. But he shares a common view that it is difficult for corporations to ignore a State with such a strong and diverse economy.

## Fueled

The controversy has been fuelled by a report by a well known industrial location consultancy firm, Fantus, which claimed that in terms of business climate California ranked 47th of the 48 continental States, just above New York. Some economists challenge this sort of ranking as too dependent on subjective judgments while other critics of the report—including, for example, Mr. Carl Pope of the Sierra Club (an influential environmentalist group)—defend Governor Brown by arguing that the Fantus report was prepared while Mr. Brown's predecessor Mr. Ronald Reagan was in office.

Mr. Pope also maintains that whereas it is the State's environmental regulations which have attracted most of the blame for contributing to the alleged anti-business climate, other factors are presenting business with significant problems.

There is undoubtedly some truth in this claim. Californians have ranked among the most heavily taxed citizens of any State in the union, and this helps to explain the enthusiasm with which they have voted for even the crude form of property tax reforms—and reductions—enshrined in Proposition 13.

Business too has been vociferous in its complaints about taxation levels, in particu-

lar the State's tax on stocks and its unitary tax system which together pulled in about \$500m last year.

The unitary tax system, which allows the State to tax a proportion of the profits an international corporation earns worldwide to the extent that they can be related to its activities in the State is under particularly strong attack. A new tax treaty with Britain currently going through Congress in Washington could, if approved, provoke a change in the Californian unitary tax system.

There are other factors allegedly creating serious problems for business in the state—among them the strength of trade unionism, especially in comparison with some of California's Sun Belt rivals in the South, and the phenomenal rise in house prices in California. The latter, it is claimed, is creating a formidable barrier for companies recruiting executives from outside the State.

An industry-based research group in California, the Real Estate Research Council, has estimated that at \$83,000 the average single family house in the State costs fully \$27,000 more than the national average. Even wealthy executives from the better heeled suburbs of cities like New York find the price of houses in California in middle-class neighbourhoods forbidding. On the other hand immigration has picked up over the past three years.

But when all these factors are taken into account the fundamental complaint must frequently voiced is that the State is suffering from overzealous implementation of what are in any case some of the most restrictive environmental laws in the country and that to a considerable extent the blame for this goes back to Governor Brown.

Whatever the value judgment one makes on the wisdom of the State's environmental laws there is little doubt that the election of Mr. Brown, a man recognised as sympathetic to environmental concerns and critical of economic growth as a social goal, came as a boost for the environmentalists. His election also testified to the sympathy of the Californian voter towards environmental causes.

No doubt this sentiment is in part based on the natural beauty of the State. But it must also reflect the fact that in its relative affluence and the absence of some of the more heavily polluting basic industries, California has not been faced with the hardest choices between employment and the environment. Very often the diversity of its economy has also helped the State sidestep tough environmental choices.

In the wake of his election business leaders became concerned as they watched Governor Brown appointing several key figures from the

environmentalist lobby to senior positions in the State bureaucracy. The Sierra Club has termed these appointments as "refreshingly free from the usual pattern of industry domination."

They included, for example, the selection of Mr. Clair Dederick, a vice-president of the Sierra Club, to be Secretary of Resources (a position akin to the U.S. Interior Secretary's post in Washington) and the appointment of another recognised conservationist, Mr. Ron Robie as Director of the Department of Water Resources—a potentially critical appointment in a State with California's water problems and giant agricultural sector—and the Governor's decision to reshape the State Energy Commission to include a bigger number of conservationist sympathisers.

It is in the energy area that the power of the environmentalist forces has been most effective. Although a referendum in 1976 to block nuclear power developments was voted down, a legislative compromise designed to defuse the issue

has nevertheless prevented planned new nuclear facilities from coming forward for development. Thus the San Diego Gas and Electric is currently blocked and Mr. Pope maintains that it is highly unlikely that any new nuclear facilities will be approved in the next five years.

## Battle

At the same time a controversy over the siting of a new facility for the import of liquefied natural gas is threatening plans to increase the State's gas imports, and the controversy over Standard Oil of Ohio's proposals to refurbish a gas pipeline to carry Alaskan crude from Long Beach to Texas has contributed to a 500,000 barrel-a-day oil surplus in California. Some energy experts maintain that the crude surplus is encouraging Californians—wrongly, in their view—to misjudge the potential energy problems in store for the State, especially in the light of the

difficulties of developing other power sources.

More generally, the three-year battle which Sohio—the British Petroleum subsidiary in the U.S.—has had in getting approval for a tanker facility and pipeline is cited as yet another example of obstructionist moves by environmental interests. Some have charged that Mr. Tom Quinn, a former campaign manager for Mr. Brown, who was appointed as head of the State's Air Resources Board, has been using his post to further political ambitions. Mr. Quinn's supporters say that he is simply enforcing correctly the State's tough air quality laws. Whatever the rights and wrongs of the argument, it has taken three years for Sohio to get so close to approval for its plans and observers still disagree on how much longer the company will have to wait.

These are just some of the issues which have contributed to claims that the State is creating an anti-business climate. Another is on the horizon in the shape of an

announcement by Kaiser Steel that air quality regulations could force it to close its Fontana works at a cost of \$5,500 jobs.

But it would be a mistake to believe that the environmentalist lobbies have had things all their own way. A turning point of sorts came early in 1977 with the announcement by Dow Chemical that it was dropping a proposal to build a new \$500m chemical plant in the State, saying that the protracted permitting process—in four years it had received only four of the 65 permits needed—was a major factor in its decision.

It was in the wake of this announcement that business concern mounted and business and labour groups in California combined in an effort to bring political pressure to bear to try and shift the balance against the environmental groups. Just how effective that alliance has been remains uncertain. On the one hand there has been no mistaking the more moderate rhetoric from Governor Brown, who has been

reported as complaining about the lack of energy among the environmentalist lobbies. There has also been some moves in the Legislature towards speeding up the permitting process for new developments.

Mr. Pope of the Sierra Club maintains, however, that environmentalist groups in the State have been moderate in their attitudes, partly because they feel they have a sympathetic administration to deal with, while on the other side businessmen are still unhappy with the appointment of people sympathetic to the conservationist point of view to key positions in the State administration.

Even a change in this situation, however, would not necessarily lead to an easier climate for business on environmental issues since, as Mr. Pope points out, such a shift would probably encourage environmental groups to pursue their aims through the courts in a more obstructionist way and to be even less accommodating.

For the time being, therefore,

it is hard to imagine a really fundamental anti-environmentalist backlash in the State since a pre-condition would seem to be a weakening of grass roots support among the voters for environmental issues. Until it can be demonstrated convincingly that environmental concerns are costing existing jobs and not just threatening new ones at a time when unemployment is hurting the State badly, it is hard to see voter support for environmental issues being severely weakened.

So with the Californian economy performing strongly business may have to be satisfied with the shift in the climate in the State which has taken place since the Dow Chemical decision and continue to fight each issue on its individual merits. They may also have to worry about the threat of increased business taxation to compensate for the revenue losses which local government will have to absorb in some form in the aftermath of the passage of Proposition 13.

Stewart Fleming

## The young Governor's charisma

OVER THE past ten years and more two men, Mr. Ronald Reagan and Mr. Edmund G. ("Jerry") Brown Jr., have ruled the Californian political roost. The former, the conservative Governor from 1966 to 1975, is still active and still very much contemplating either another bid for the Presidency or a decisive say over whom the national Republican Party nominates for the post. But for the moment it is Jerry Brown, the incumbent Governor, who holds centre stage, with both the local and national audience endlessly weighing his future.

Californians appear to enjoy an ever-changing love-hate relationship with their young Governor which at present is going through what might be described as an alienation phase. There are elements in Jerry Brown which seem the stuff of anti-politics—the intellectual arrogance (perhaps reflecting his Jesuit seminary background), the eccentricities such as his preference for a spartan personal life-style—and elements which are purely conventional and which bespeak the influence of his father, the two-term Governor from 1959 to 1966 who knew more about smoke-filled backrooms than any other contemporary Californian politician.

When Brown the younger first ran for Governor four years ago, two years after the Democratic Party had suffered its

national debacle under George McGovern's Presidential candidacy, he was already being picked as future Presidential material. Yet despite all the predictions and expectations he was only able to scrap the narrowest of electoral victories over a colourless Republican opponent who has since disappeared into the obscurity from which he had briefly emerged. But paradoxically, Jerry Brown converted his meagre mandate into an instant hugely popular following. California, a State which loves style almost to a fault, adored its new young leader.

## Primaries

It seemed fleetingly in 1975 that the national electorate might be similarly receptive. He entered half-a-dozen late primaries, put to the sword all whom he faced, including Jimmy Carter, and wound up by winning two-thirds of the vote in his own State primary. The effect was, of course, too late to derail the Carter handwagon, but all the political seers nodded and noted that, if he chose, 1980 or 1984 could see the real coming of Jerry Brown.

Less than a year ago the portents looked better still. President Carter's standing in the polls was beginning to slip while the Californian surveys showed the Governor retaining his massive popularity. The assumption was that Jerry Brown would win re-election by a landslide in 1978 and use that

as a springboard for a movement on to the national scene.

Today, according to the same polls, Governor Brown is at best a marginal favourite to hold on to his office in November. The most frequently cited reason for the sudden decline is his opposition to Proposition 13, the tax-cutting referendum which overwhelmingly carried the State in this month's primaries. This is probably true, though the Governor is enough of the quick-footed opportunist to be already seeking to turn the popular sentiment expressed in the property tax vote to his own advantage.

It should also be noted that the June elections were essentially a Republican affair, the State opposition party having plenty to decide on its ballots, while the Democrats, with the Governor essentially unopposed in his primary, were largely quiescent. This may have distorted local opinion polls. But at the same time as his State popularity was falling off, the national polls came up with disturbing signs. These were that even Jimmy Carter, according to these same and possibly suspect findings, would beat Jerry Brown by two to one among American Democrats, although he trailed the likes of Edward Kennedy, the Massachusetts Senator, appreciably and might not even be able to overcome such stalwart and ageing Republicans as former President Ford and Ronald Reagan.

Californian Republicans claim

that the bloom was off Jerry Brown's rose well before Proposition 13 dwarfed all other electoral considerations this summer. All four candidates for the Republican gubernatorial primary election predicted their initial campaigns on the then surprising assumption that Jerry Brown would be vulnerable in November. Ken Maddy, a personable young State Assemblyman of moderate persuasions, was the earliest—and initially least known—advocate of this view and was showing surprising strength in the polls before he was swamped by his opposition to proposition 13.

The ultimate winner of the republican contest, State Attorney General Evelle Younger, the highest ranking party office holder in California, adopted an ambiguous stance on the property tax initiative, offering it guarded support while refusing to argue publicly for it. But he was quick to say that he would, in his official capacity, enforce the will of the people.

Mr. Younger's victory at the polls earlier this month probably owed most to the fact that he was perceived as the man most likely to beat Jerry Brown in November. For all his dourness, he can claim administrative experience and political moderation as his main assets. It was lack of the latter quality in particular which proved the undoing of former Los Angeles police chief Ed Davis, the darling of the Orange County Right wing, whom Mr. Brown would

clearly most liked to have faced in the general election.

In a sense Mr. Younger has Mr. Brown where he wants him. State attention will for the next five months be firmly fixed on how the Governor carries out the budget austerities forced on the State by the Proposition 13 vote. The main Republican criticism of Jerry Brown is that he is all style and no substance and the hope is that the task in front of him will demonstrate his purported deficiencies.

## Defying

In addition, the hope is that if he presides over cuts in essential public services, he will reap the inevitable opprobrium. If he does not, he can be accused of defying the will of the electorate for learner government (an irony since the Governor is the arch disciple of lean government and has accumulated a \$55m surplus in the current fiscal year).

There may be other issues which spell trouble ahead for Governor Brown. The most obvious is another referendum which will be on the November ballot, the so-called Briggs initiative which would have the effect of excluding known homosexuals from teaching in the State school system.

This proposal appears to go much further than other anti-gay proposals that have cropped up across the country in recent months. These in general have confined themselves to striking

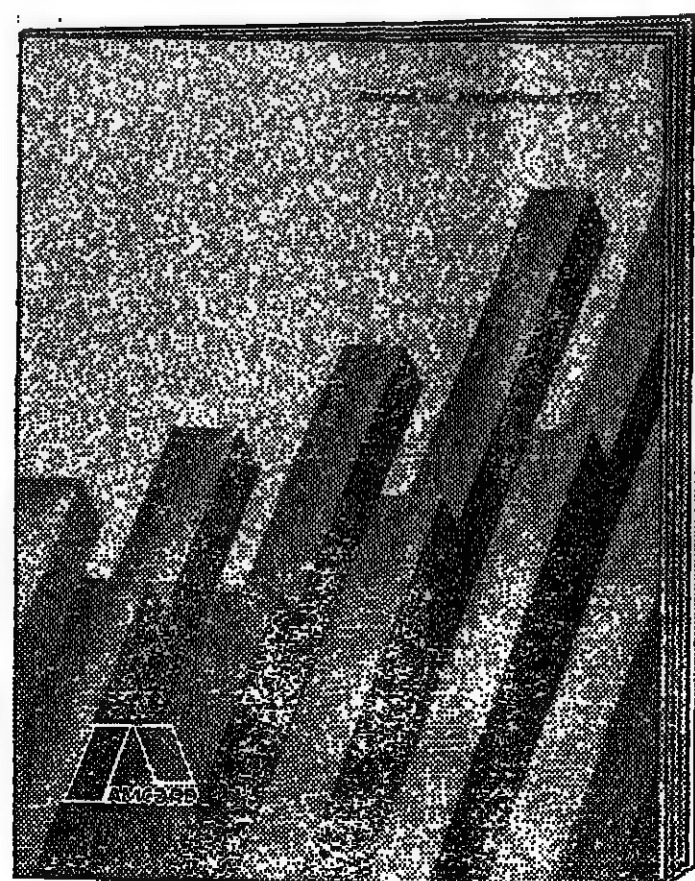
out anti-discriminatory bylaws in assorted municipalities. Given the prevailing mood of the country the Briggs amendment may well pass, in spite of California's known tolerance towards homosexuals. The Governor is certain to oppose it with good reason given its patent inequity but may well lose votes in consequence.

But it would be most unwise to write off Jerry Brown's re-election chances at this early stage. He has already moved to turn the spirit of the tax-cutting referendum to his own advantage and, bearing in mind his mastery of public relations, it is within his capacity to emerge as its leader. Moreover, in spite of his reputed lack of competence in managerial matters, his administration of California has coincided with a considerable revival in state prosperity for which he may fairly claim some credit.

After all, registered Democrats do substantially outnumber Republicans in the state, and Mr. Brown, by far the most popular state Democrat since his father, has hardly begun to rally his troops. When he turns his talents in that direction, then the contrast with Mr. Younger will be perceived as stark. If nothing else, it will be an intriguing exercise in the political art and a test of the staying power of a charismatic young leader. The outcome could yet have national implications.

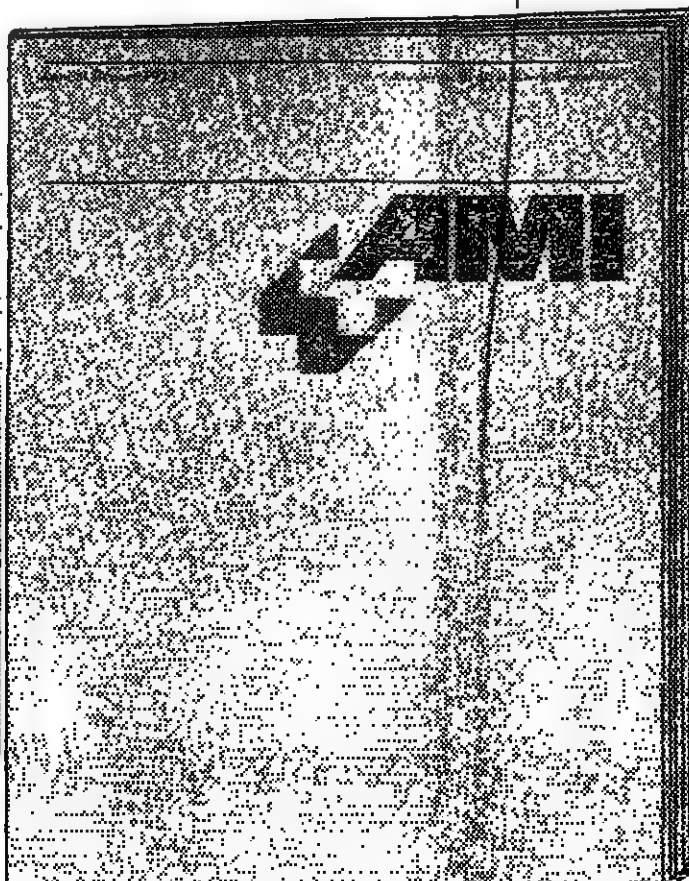
Jurek Martin

## The facts and figures behind



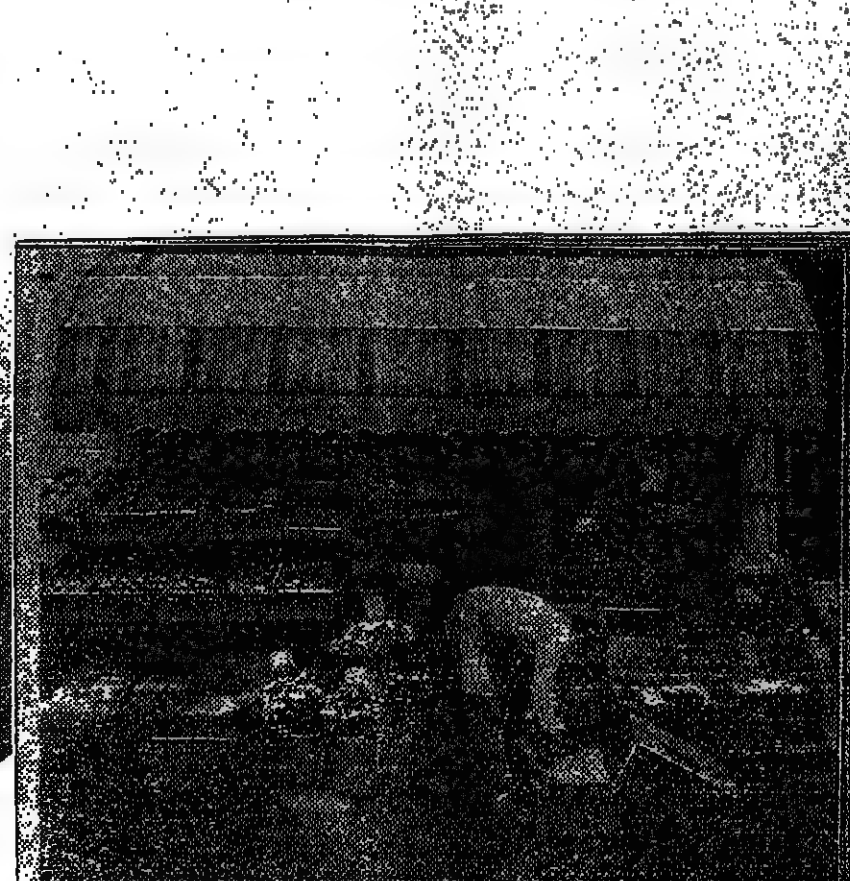
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American Medical International, Inc. (NYSE, PSE, London Stock Exchange—AMI) is the leader in the international delivery of health care services. AMI owns and manages facilities in the U.S. and overseas and provides health care services to 400 communities on five continents. Earnings for the year ended August 31, 1977, were \$13 million, or \$2.08 per share, on revenues of \$341 million. First half 1978 earnings of \$8.6 million, or \$1.30 per share, were a new six month record for AMI.



## Castle &amp; Cooke, Inc.

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## Carter H. Hale Store

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# Banking sector in robust health

CALIFORNIA IS second only to New York in the size and scope of its commercial banking sector—and in terms of profitability its bankers would argue that it is now second to nobody.

Such a claim was reinforced last year—at least symbolically—when after five years during which the State's and the world's largest bank, Bank of America, had lagged behind its arch-rival Citicorp in terms of profits, it recovered the lead. On its balance sheet assets of \$32bn the bank reported net income before securities transactions of \$395m. Citicorp's net slipped to \$381m on assets of \$77bn.

But it is not just Bank of America's performance last year which backs up the argument. While New York's banks have been plagued for three years with a multitude of problems ranging from property loan losses and fears about the security of their international loans to weak retail banking operations and slack commercial and industrial loan demand, California's major banks have either avoided the worst of these difficulties or—in the case of retail banking—had a much healthier experience.

Thus the main Californian banks have been able to report much better earnings growth than their New York rivals over the past five years. The five largest banks in the state all rank in the top 15 in the country in terms of size and among the leaders in terms of earnings growth.

A study by New York investment bankers Salomon Brothers, for example, suggests that the San Francisco-based Wells Fargo is in terms of earnings the fastest growing of the top 30 U.S. banks with a compound growth rate of 18.6 per cent over the past five years.

Bank of America comes out second with a rate of 15.9 per cent. Citicorp lags some way behind this at 10.6 per cent. Western Bancorp, Security Pacific and Crocker National have all reported earnings growth of 12 per cent or more compound during this period.

The major Californian banks have generally had rather better loan loss experience during this period than most of their New York rivals. Indeed for most of the period they have had better experience than the average for the 30 largest U.S. banks.

The managers who head these institutions would no doubt be delighted to be told that wisdom and not luck has been the driving force behind their

success—a success which has made the banks tougher competitors for their New York rivals. But one has to conclude that at best it is a combination of good fortune and conservative—and therefore sound—judgment which is responsible.

For California's banks have been operating in a much more favourable environment domestically in terms of the growth and structure of the regional economy.

Depending on whose measurements you accept, the Californian economy alone is somewhere between the sixth and eighth largest in the world, with an annual output worth around \$250bn, putting it just below Britain. Its 22m population less than half Britain's which suggests that on this crude measure of affluence its citizens have at least double Britain's per capita income.

The economy of the State has also been growing more rapidly than the rest of the U.S. In spite of an above average unemployment rate currently running around 7.5 per cent, it has been creating new jobs faster—at a 5 per cent base last year (about 450,000)—compared with the national average of 3.5 per cent, and shows a higher than average growth of personal income in recent years.

## Branches

All of these factors will have contributed to the growth of the State's 224 banks, which have around 4,000 branches and at end-1977 logged domestic deposits of \$85bn (\$55bn in time or savings deposits) and domestic loans of \$64bn.

The buoyancy of the Californian economy, particularly over the past two years, has been only one general factor behind the banks' performance. More important has been the structure of economy, which has helped to insulate the State's banks from some of the problems encountered by the big banks in New York.

In spite of their size the big Californian banks have been operating in an environment which has more in common with the conditions that have boosted profitability among smaller regional banks than with the New York City situation.

Thus although California's banks experienced a modest decline in commercial and industrial lending during the 1974-75 recession it was nothing compared with the set-backs suffered by New York's banks. By the end of last year loan business they generate, thus improving their cash flow

volume was back to a record level (at least in money terms). In part this reflects the less mature state of the Californian economy, which contains a greater proportion of smaller firms which still need bank finance and unlike the giant multi-nationals cannot turn to the commercial paper market for short-term credit or to the public bond market for long-term borrowing.

In addition to being shielded from the worst of the recession in demand for commercial and industrial loans, California's banks have enjoyed a buoyant market elsewhere. Consumer credit, for example, rose by \$5.3bn to \$18bn in the three years to end-1977. More important, however, was the \$7.2bn increase to \$23.8bn in property loans over the same period.

This increase meant that for the first time for over a decade property lending, the bulk of which is for mortgages for home purchases, exceeded business loans among California's banks.

This trend has undoubtedly heightened competition between the State's commercial banks and the giant savings and loan industry in the State, which has mortgage loans of \$70bn outstanding and is the biggest S and L industry in any State. Both groups of financial institutions are eyeing each other warily as the competition not only in home loans but also in providing wider services for depositors intensifies.

The big commercial banks domestic, commercial and industrial loan volume in the State, fearing that unless they are careful in exploiting the market for home loans they could create a speculative bubble whose collapse could have damaging repercussions not only on their loan portfolios but also on the State economy.

Last year, sensing this danger, several banks including Bank of America and Wells Fargo tightened up their lending criteria to try and take some of the speculative fever out of the market. Bankers in the State express greater confidence about the housing market now but some economists remain uneasy about the phenomenal rise in prices.

To some extent the bankers' confidence stems from improvements in their own internal management, with greater attention paid to the spread between interest rate-sensitive funds and loans. The banks, led by Bank of America, are also developing new forms of security for packaging and selling to other financial institutions the home loan business they generate, thus improving their cash flow

and, they hope, avoiding a credit crunch.

While they have been innovative in this area most of the big banks with the exception of Crocker National have been cautious in their approach to the introduction of electronic funds transfer systems for their customers' use. Only Crocker is aggressively installing automatic teller machines; the others are in general experimenting.

## Automate

Bank executives point out that since their retail operations are profitable and since there are plenty of branches around the State for customer convenience they are under no pressure to automate unless their customers clearly want such a service on Main Street.

Even though New York with its well developed foreign exchange and money markets remains the undisputed financial capital, California has remained attractive to foreign banks—as the announcement of the Standard and Chartered group's merger proposal with Union Bank indicates.

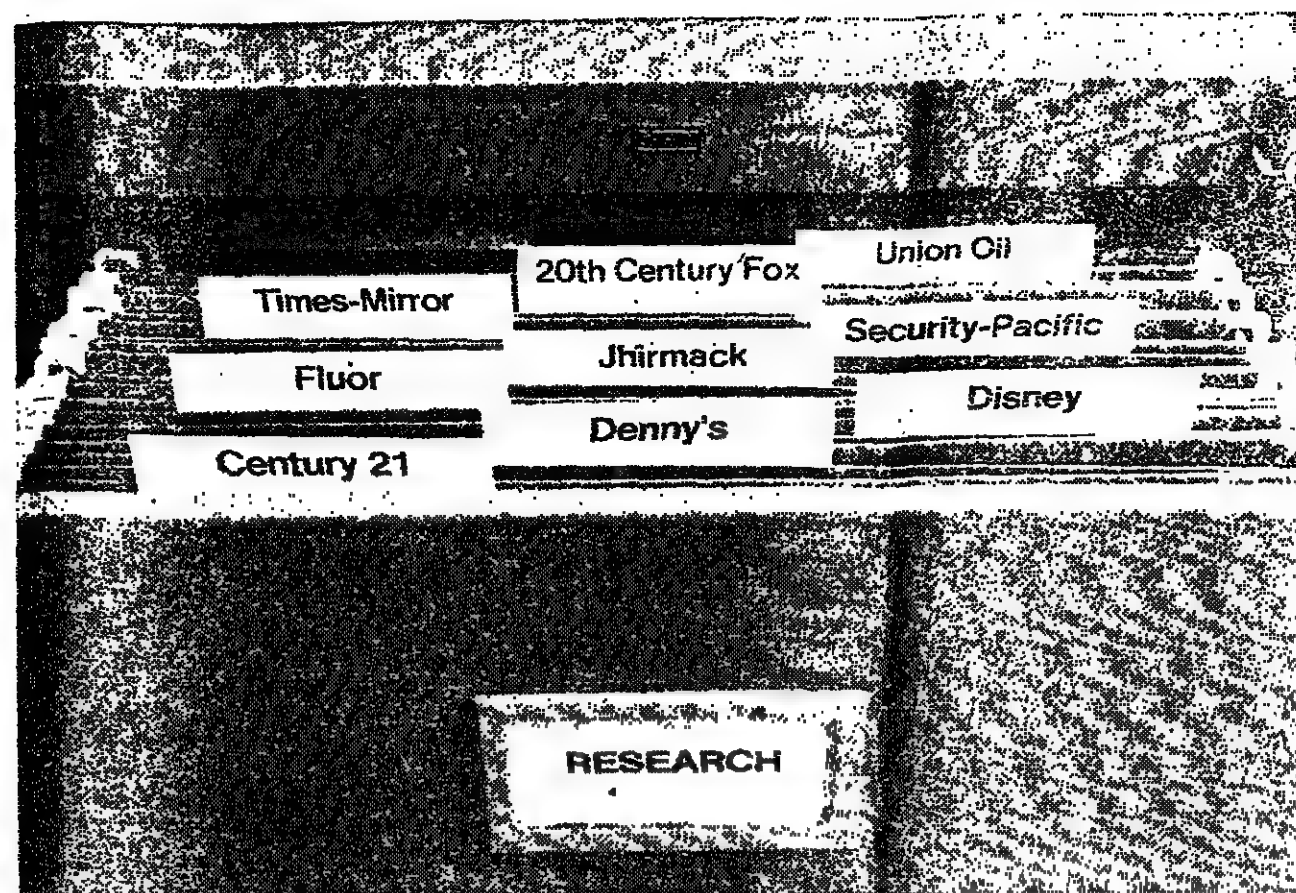
Thus over the past ten years foreign bank assets in the State (excluding Bancal Tri-State which has around 30 per cent of its capital held by interests associated with Baron Edmond de Rothschild) have more than doubled to \$20bn. These banks have around a third of the domestic, commercial and industrial loan volume in the State, and the largest—such as California First Bank, which is controlled by Bank of Tokyo, and Lloyds Bank of California, a subsidiary of Lloyds, the British clearing bank—have around a hundred branches.

The attractions of California, particularly to those foreign banks which have branches in New York as well, are clear, and are similar to those affecting the domestic banks.

No doubt they share common concerns too. Among the more immediate are the impact on their business and the State economy of the fundamental changes in taxation in the wind as a result of the passage of Proposition 13, the danger of a speculative housing bubble which could burst. In the longer term, particularly for those banks located in the south of the State, concern must be the impact of illegal immigration from Mexico as that country's population soars.

Stewart Fleming

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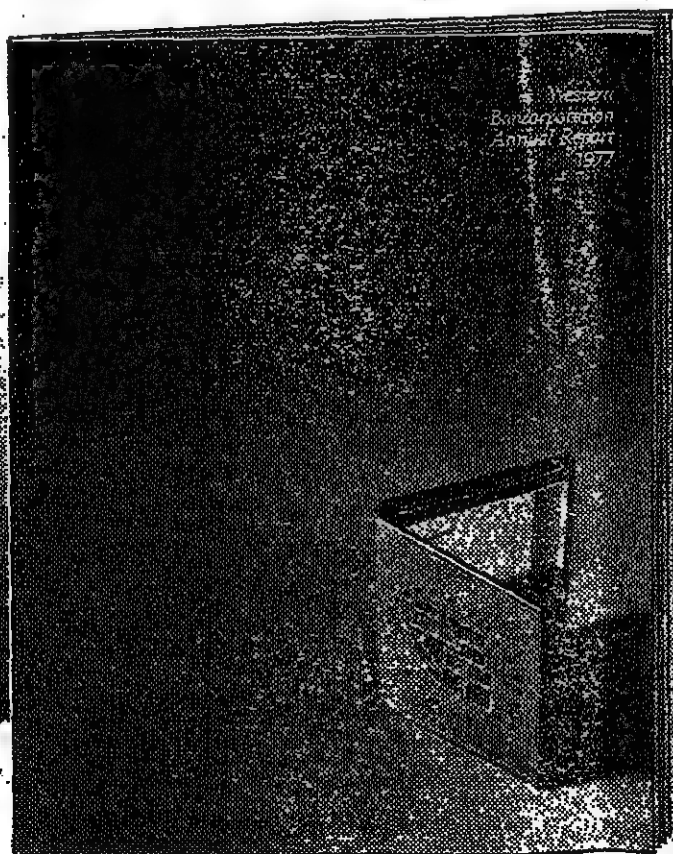
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# 5 major Californian corporations



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## CALIFORNIA IV

# Growing share of defence spending

AFTER A decade of decline to earn a profit for either company and which in the case of near bankruptcy of Lockheed Aircraft and the cancellation last year of the \$25bn plus B1 bomber programme, the Californian aerospace industry is looking to the next ten years with mounting optimism.

In the late 1960s employment in aerospace in the State hit a peak of 600,000, as the industry struggled to meet the demands of a defence budget bloated by the Vietnam war, a buoyant commercial jet market and a high level of spending on space exploration by the National Aeronautics and Space Administration.

At that stage the Californian aerospace industry accounted for over one third of employment in the aerospace industry as a whole and played an even more important role in California's economy, accounting for about two fifths of employment in the state's manufacturing sector and almost one tenth of California's non agricultural workforce.

The subsequent ten years have been years of decline, in part because of the slackening of defence spending and the NASA space budget, but primarily because of the depression which hit the commercial jet market. Last year aerospace employment in the State was down to only 440,000. Both McDonnell Douglas and Lockheed, the State's two big commercial jet producers, were embroiled in wide-body jet programmes which some aerospace analysts suggest have yet

to earn a profit for either company and which in the case of near bankruptcy of Lockheed Aircraft and the cancellation last year of the \$25bn plus B1 bomber programme, the Californian aerospace industry is looking to the next ten years with mounting optimism.

The decade of decline would have been much worse but for California's growing share of Defence Department spending. Thus through the 1970s the defence budget has been declining slightly as a proportion of gross national product—from about 6.6 per cent in 1971 to perhaps 5.0 per cent this year—but California's share of Defence Department prime contract awards has been rising.

In 1970 the State won \$5bn of such contracts, or 18 per cent of the national total. Last year this figure was \$10bn and significantly California's share was 22 per cent—it had been 20 per cent the previous year.

## Saver

Without this business the workload, and the earnings of companies like Lockheed, McDonnell Douglas and Northrop, not to mention their dozens of sub-contractors, would have been thin to say the least. For Lockheed in particular and more especially for its missiles and space facility south of San Francisco in the "silicon valley" area, defence contracts have been a life saver.

But it is not just in terms of sales and profits that the Californian industry benefits from the U.S. Government's spending. One frequently sees government and businessmen in less fortunate States, particularly in the North-East and Mid-West, complaining about the Govern-

ment funding that goes into California, since much of it relates to advanced technology lines, which are seen as the growth sectors of the future, and since the contracts provide funds for basic research and development in these fields.

As Rockwell found with the cancellation of the B1 bomber programme last year, dependence on such spending can be dangerous—some 16,000 employees lost their jobs as a result of the decision. Rockwell, of course, is the prime contractor for the space shuttle, a programme which last year employed some 14,000 people, mainly in its Californian operations, and brought in revenue of \$1bn. Moreover the outlook for Defence Department expenditure beyond the next two years is looking uncertain, with some analysts forecasting another decline in the rate of growth, although not in absolute terms.

On the one hand the Carter Administration is making no secret of its growing concern about the size of the budget deficit and is under mounting pressure to trim the deficit, with defence spending appearing to be an obvious target. But on the other hand relations with the Soviet Union are deteriorating, and there are fears that the alternative to a new arms limitation agreement, which is in doubt, is a build up in the arms race, from which Californian firms would undoubtedly benefit.

But whatever the outlook for the industry on the defence side of its operations there have been clear signs of a revival in

the commercial jet market both in terms of new orders and new commercial jet developments.

The recovery of the market after a decade of decline has already helped to absorb some of the aerospace workers displaced by the B1 cancellation. Moreover production levels at the two main commercial jet assembly facilities in the State, McDonnell Douglas at Long Beach and Lockheed at Burbank, are running well above last year's levels. McDonnell Douglas's Long Beach facility is expected to increase its workforce by one quarter this year to 20,000.

## Upturn

But it is not just the front line companies that will benefit from the upturn. If it were then clearly the main beneficiary would be Boeing in Seattle to the north. With some analysts forecasting that U.S. commercial jet deliveries will increase this year from the 191 recorded in 1977 to perhaps 242, and Boeing is expected to capture around 75 per cent of the market—clearly the industry leader is currently secure in its market dominance. But even Boeing's good fortune spills over into California since a high level of sub-contracting is commonplace in the aerospace sector, with not just engines coming from other companies but also sections of the fuselage in many cases. Thus the numerous aerospace supply companies in the State can expect to share in the upturn.

The forecasts of good times to come in California's aerospace industry—and the commercial jet market as a whole—are not simply based on the recent upturn in orders, the surging growth of air travel in the U.S. in the past year (partly in response to the wave of price-cutting) or the evidence that several major airlines have significantly improved their financial position as a result of this growth of traffic. The more general picture is that a high proportion of the 4,000 or so large commercial jets currently flying in the fleets of the non-communist world's airlines are ageing aircraft, like the early Boeing 707s and Douglas DC8s which went into service in the early 1960s. Even some of the more recent passenger jets, the immensely successful Boeing 727 for example, share some of the problems—from the airlines' point of view—of the earlier generation of jets.

These can be summed up in terms of inadequate seating capacity in relation to demand and expected growth, poor fuel economy in comparison with the high by-pass ratio fan jets which power the wide-bodied jets, and poor noise performance, particularly in relation to the U.S. noise standards due to come into effect in 1985.

These factors, coupled with others such as the expected growth of air traffic, have led all the major aerospace companies to project heavy new demand for commercial jets, with some forecasts suggesting that the market through the 1980s could be worth some \$70bn in constant dollar terms. Such forecasts are far from

precise, however, since much will depend on the mix of aircraft bought and the timing of their purchase—but the industry does not doubt that a major new wave of orders is awaiting them.

It is this market which the west coast aerospace companies have their eyes on, and once again they are hoping to get the lion's share of the world's business. They recognise, however, that particularly with the entry of the Airbus consortium and the prospect of collaboration in Europe on other commercial jet programmes seeking a share of the same market, they are facing a highly competitive situation. This is one reason for their interest in international collaboration. Another of course is the high cost of launching a new commercial jet.

So far as the Californian aerospace industry is concerned the front runner to pick up a signi-

ficant share of the new market is McDonnell Douglas, which is actively considering designs for a new wide-bodied commercial jet—the DCX-200—based in part on its DC10 jumbo jet but considerably smaller.

Lockheed, of course, is limited financially in terms of what it can do and is expected to launch a smaller version of its TriStar to compete in the same market which is seen primarily in terms of a 180-220 seat medium range aircraft.

But the Californian industry seems naturally enough to be waiting to see what the giant in Seattle, Boeing, comes up with in its programme to launch a new family of commercial jets which will not be derivatives of existing aircraft since these cannot be modified to fit what the market seems to want.

The consensus for the Californian industry seems to be

therefore that not only is it in considerably better shape than it was two years ago or even last year, but, more important, the outlook into the 1980s is bright. While this promise is likely to be translated more quickly into employment than into profits, and while there are considerable risks involved in the new commercial jet programmes expected to be announced, the new programmes should ensure California's continued importance in the aerospace field.

It should also help to reinforce the strength of its high technology computer-based electronics industry since the proportion of such advanced technology being incorporated into commercial jets is increasing and will help to revive capital spending in the State, about which there is elsewhere in the U.S.

S.F.

# Threat of power shortages

CALIFORNIA IS often described as "America tomorrow" of organised labour, fought hard to exempt Sundeert from those laws, on the grounds that its development was far advanced when the legislation was passed. Mr. Maullin says the Communist goal is to have "10 per cent of our energy generated by wind power in the next 2000."

Debate over California's energy future has divided the State as profoundly as the San Andreas fault. On one side, however, there is general agreement that if firm decisions are not reached soon, the threat of economically disastrous power shortages could become reality by the mid-1980s.

What are the energy policies of Governor Jerry Brown's administration? "If you can clear that one up, please let me know," says Dr. Stanford Penner, director of the Energy Centre and Professor of Physics at the University of California, San Diego. "People are confused. I think the Governor is confused, too. He's a devotee of dispersed technologies and of exotic ideas. Some defend these as practical on a 50- to 75-year time scale. I wouldn't. I think Mr. Brown is leading the nation's most populous State down the wrong road."

The Governor responds that his ideas, while considered off heat by some, should by now be clear to all. "He has stated many times," says top aide Mr. Gray Davis, "that he isn't closing the door on nuclear power in this State. But his definite preference is to build up alternate forms of energy wherever available."

## Halted

If Mr. Brown has not "closed the door," he has virtually halted all nuclear growth in California. His administration played a key role in killing off the \$3bn Sundeert nuclear plant last month. The project, into which power companies had sunk \$105m, had been described by Dr. Edward Teller, the nuclear scientist who developed the H-bomb, as "California's brightest hope for energy sufficiency." After five years, Sundeert's planners had obtained only three of the 90 permits required by federal, State and local authorities.

Nuclear regulatory laws passed in 1976 ban further plant construction in California until the federal Government approves some method for the safe disposal of radioactive wastes. The State's nuclear

establishment, with the backing of organised labour, fought hard to exempt Sundeert from those laws, on the grounds that its development was far advanced when the legislation was passed. Mr. Maullin says the Communist goal is to have "10 per cent of our energy generated by wind power in the next 2000."

But the Brown administration was adamant, and the Governor let it be known that he would veto any attempt by the legislature to permit construction of Sundeert. "That project was only part of the scene," says Richard Maullin, the Governor's Energy Commission chairman (a former Rand Corp. political scientist, Mr. Maullin helped direct Mr. Brown's 1974 election campaign). "It had implications for the future of many other power plants."

And implications, too, for an evolving State energy policy: in California, the dream of cheap, abundant nuclear power is being phased out in favour of a bizarre mixture of energy sources. For the time being the next decade at least—there will be heavy reliance on imported oil to fuel electric power plants. That reliance should decrease as Governor Brown's preferred alternatives—solar and geothermal power—become economically feasible on a larger scale. Until that day, oil will be backed by coal gasification, increased imports of liquefied natural gas and greater conservation efforts.

The Governor's other solutions to the State's energy problems are more esoteric: they include erecting giant windmills and burning wood chips, walnut shells and rice hulls. If much of the business world, and all of Mr. Brown's political rivals are sceptical about these unconventional sources, many experts see them as potentially of great value.

Pacific Gas and Electric, Northern California's biggest utility company, is enthusiastic about the wood-chip notion, and is considering purchase of electrical power already being produced by wood-burning plants in lumbering centres. If various technical problems could be solved, State officials claim that wood wastes could produce nearly enough power to meet California's current electrical needs.

The nation's first major wind

energy farm is also in the planning stage here—a joint project of the Energy Commission and Southern California Edison. Mr. Maullin says the Communist goal is to have "10 per cent of our energy generated by wind power in the next 2000."

## Favourite

Governor Brown's favourite remedy is, of course, sun-power, and earlier this year he unveiled a multi-million dollar plan to make California "the solar capital of the nation" with 1.5m solar installations in the State by 1985. Alamy Call fornia has some 200 solar water heaters in operation, and purchases of solar equipment are offered a 55 per cent income tax credit, up to a maximum of \$3,000, as an incentive.

Mr. Brown's allies in this drive cover a broad political spectrum. There is, for instance, Tom Hayden, sometime "Chicago Eight" revolutionary turned Democrat, who heads the Governor's "Solarcal" commission to spur solar growth; and there is Israeli Premier Menachem Begin, with whom Brown—in his role as a 1980 presidential hopeful—recently conferred at length in Los Angeles. Mr. Begin is another sun-power buff. He and Mr. Brown have announced plans to form a California-Israeli foundation to finance solar energy research. Their joint goal: to be the first states on the globe to rely on the sun as their chief energy source.

The promise is there. But the political reality now is the nuclear dispute. Two years ago, a State referendum showed that the vast majority of Californians favoured nuclear growth. Yet as Governor Brown's Republican opponents often point out, not one new plant site has been approved during his term in office; and the State's electrical generating capacity has remained almost stagnant. Given a projected 50 per cent increase in California's population by the year 2000, economists say that capacity should be doubled to ensure sound economic growth.

Thus nuclear power looms as one of the hottest issues in next November's gubernatorial contest. And Governor Brown, faced with a taxpayers' revolt and a sharp decline in his personal popularity, is risking his political future in opposing it.

Maurice Irvine

# AMERICAN MEDICAL INTERNATIONAL

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## Mr Healey's arithmetic

THE CHANCELLOR of the Exchequer seems to have made an impressive appearance before the House of Commons Expenditure Committee yesterday in defence of his decision to recover the revenue lost through Opposition amendments to his Budget proposals through a surcharge on employers' national insurance contributions. Deploying a mixture of fiscal arithmetic and Treasury guesswork with his usual air of solid authority, he argued that this was the least of the available evils—the least harmful way out of a situation which was not of his choosing. His reasoning may have persuaded the Committee, but we remain unconvinced.

## Speculative

Mr. Healey put forward two basic lines of argument: that the surcharge would have less effect on employment than any alternative, and that it would have less impact on retail prices. The first of these is at best a highly speculative line of reasoning. As the Chancellor frankly admitted, the present relationship between official figures for output and employment is very puzzling. Recorded output is growing pretty much in line with recent forecasts, both official and unofficial; but all these apparently accurate forecasts associated with the present growth of output with rising rather than falling unemployment. In fact, however, unemployment has been rising for nine consecutive months, and the trend is now admitted by officials to be statistically unmistakable.

Mr. Healey is certainly entitled to celebrate this news, even if he is not clear how exactly he can claim any credit for it. He may even suspect, as the U.S. Administration does, that the employment figures suggest that output is higher than the official figures show; there is some reason to suspect that official volume indices—which are admitted by the statisticians to be inaccurate when inflation is rapid—can be distorted downwards by the impact of recession and price controls. The one thing the Chancellor cannot legitimately do is to take a relationship which has become a subject for cheerful guesswork and use it as the

## The predicament of OPEC

ONCE AGAIN, as at Caracas, the Organisation of Petroleum Exporting Countries has agreed to disagree—in the politest possible terms—with the result that for the time being at least and probably until the end of the year the basic price of oil will remain unchanged. In effect, the establishment of a committee of experts chaired by Sheikh Ali Khalifa al Sabah, the Kuwaiti Minister of Oil, has deferred a decision on the question of what the producers can and should do to preserve the purchasing power of their revenues in the face of the dollar's continuing depreciation. The decision could be regarded cynically as a means of saving the face of those members which were openly committed to gaining a compensatory increase, and of buying time for Saudi Arabia and Iran which were under pressure to agree to one. More accurately, however, it reflected the genuine perplexity of the producers in the situation that they now find themselves.

## Freeze prolonged

On the face of it the scenario at Geneva was similar to those at almost every other meeting since the three-fold escalation of oil prices in the last quarter of 1973. As in the past, Saudi Arabia fought for moderation in the interests of the health of the world economy which, it believes, is not yet in a position to bear the cost of an increase even in nominal terms. As at Caracas, the support of Iran made it possible for the Kingdom to resist demands for an increase and to prolong the freeze in force since last summer's Stockholm conference.

At Geneva last week-end, however, there was a very discernible difference based on the general realisation that over the past year and a half the circumstances of the producers have changed. Having been founded in 1960 to maintain revenue values, OPEC in 1973 asserted its power to set prices unilaterally. The cut-backs imposed by the Arab producers, in retaliation against U.S. aid to Israel during the October War made

possible the dramatic rise decided upon, though with great reluctance by Saudi Arabia, at the end of that year. Notwithstanding the economic recession, which was largely the result of the escalation in oil prices, demand was strong enough to maintain the subsequent improvement in revenue terms. But last year not least because of the North Sea and Alaskan oil, OPEC production was virtually static compared with 1976 and the producers suddenly found their ability to dictate prices limited by a surplus.

The turn-around in the market has imposed a new predicament on OPEC, whose basic function is to maintain and improve revenue terms. Members' purchasing power has been eroded since the beginning of 1977 because of inflation and the depreciation of the dollar. Some producers still defiantly assert that the market could support an increase of 10 per cent or more, despite the fact that North African producers of premium light crudes have had to cut their differentials in the face of competition from North Sea oil. But it is doubtful whether anything more than a nominal increment could be sustained until the end of next year.

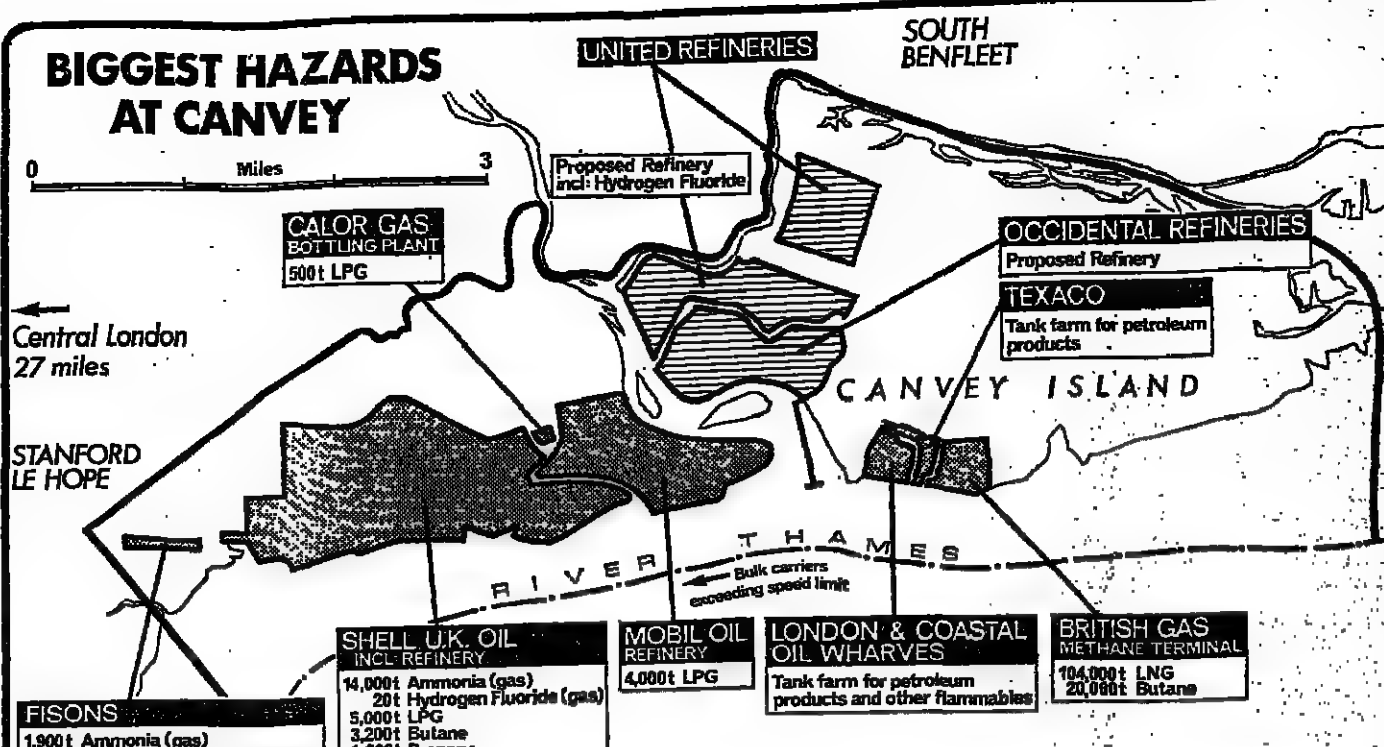
Whether or not a significant rise could be supported, market realities have certainly made it easier for Saudi Arabia to resist pressures for an increase and in part must have accounted for the conversion of Iran to price stability. Yet, the plight of the poorer producers is such that the two big oil powers will almost inevitably agree to some kind of rise early next year. Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, has suggested 2 per cent might be reasonable and proposed that it should be followed by periodic increments to prepare consumers for the anticipated shortage in the middle of the next decade. He is not alone in OPEC in arguing that a progressive increase in the price of oil is needed to encourage the development of alternative sources of energy and thus to prepare for the day when the temporary oil surplus gives way to a shortage.

AS THE figures came in we were seriously worried that we would be obliged close plant down, says Mr. John Dunster, one of the three signatories to the long-awaited report on safety at the Canvey Island industrial complex. As it turned out, except for one part of one plant, which had to be shut down, some fairly simple precautions against the grosser risks uncovered by the safety assessors will greatly reduce any risk of a catastrophe.

The path to this conclusion has been long, tortuous and costly—£400,000 alone for the safety assessment, but some millions for the modifications and "backfittings" required by the factory inspectors. But the outcome is that residents of Canvey now have the assurance of the most painstaking safety assessment ever undertaken outside the nuclear industry that the risk of an industrial accident reaching beyond the factory fences is extremely low. Canvey and its environs, as the map shows, is one of Britain's big industrial campuses. A fifth of the nation's oil refining capacity alone is packed into a riverside area nine miles long, only about 25 miles from central London. The refineries, fuel stores and chemical plants represent a colossal inventory of potentially hazardous material, both explosive and toxic. Added to this are hazards from vessels berthing nearby, bearing large cargoes of fuel and chemicals.

What the 33,000 residents of Canvey—a figure which doubles in mid-summer—feared most was the possibility of a catastrophe that would sweep through the plants, the first to explode blowing up its neighbour, and so on. What they will learn from the report of the Health and Safety Executive is that a "domino effect" cannot happen even under the worst circumstances the inspectors were able to visualise. It is their judgment that, even before the modifications now being carried out, at worst a sequence of two plants could explode in one disaster. But the consequences could nevertheless spread beyond the fence to strike the residents because of certain toxic chemicals stored in large quantities. The modifications are intended to confine the effects of any conceivable accident to a single piece of plant. Beyond that it is probably not reasonable to go, for the present generation of chemical plants. For the future—perhaps a decade away—there is every chance of designing plants which for a given output are much smaller and intrinsically much safer.

The Canvey study will prove valuable on two different counts. First, it is highly reassuring for the residents themselves. Although by



extrapolating the risks to theoretical extremes in every conceivable direction, the inspectors have arrived at situations in which hundreds or even thousands might die, they show very clearly that, given their recommended changes, the risk is so low as to be discountable.

As the report puts it: "All of the accidents discussed in this report are theoretically conceivable and some have occurred, although never anywhere in the world in such a way as to result in the large numbers of casualties judged to be possible by the investigating team."

The second count on which it will prove valuable is as a model of a "major industrial hazard." These are the plants—estimated to number between 100-300 in the UK—which by virtue of their energy inventory are judged capable of wreaking havoc beyond the factory fence. Since the explosion of Nypro's plant at Flixborough just four years ago the factory inspectors have been trying to define, pinpoint and analyse Britain's major industrial hazards. Canvey came to serve as a model not because of any accident, but because of residents' long-standing worries that too much industry was being foisted upon them. Flixborough, in which 28 factory workers died, heightened their fears; as did the Seveso accident, shortly after the study began, where an apparently trivial plant incident spread a deadly poison over the Italian countryside.

Their fears were given focus by United Refineries' proposal to build another oil refinery on Canvey Island. Planning permission was granted in 1978, but later there was strong

pressure to have it revoked. This led to a joint request from the Secretaries for Environment and Employment that the Health and Safety Commission should first make a special investigation of the potential for catastrophe already concentrated in the area.

The Commission called in Britain's most experienced people in assessing major industrial hazards, built up by the UK Atomic Energy Authority as watchdogs over its own and the Navy's nuclear installations. This is the Safety and Reliability Directorate at Culcheth, under the direction of Dr. George Kinchin—a body for which the more safety-conscious sectors of heavy industry in Britain already have the highest regard.

## More complex situation

What this team uncovered was a far more complex situation than anyone had expected: a sprawl of factories owned by nine different companies, none of which had ever "made a systematic attempt to examine and document those few potentially serious accidents which might result in a risk to the health and safety of people in the surrounding community."

With the approval of the Health and Safety Executive (the operating arm of the Commission), the team set out to quantify the probability of various types of accidents that might occur, and then the probability of a whole range of possible consequences. Its aim

was to go beyond such descriptions as "very remote" or "quite high," and try to state the position in figures—for example, 1 in 10,000 of killing 100 people, compared with 1 chance in 100 if the alternative course is pursued.

As the report observes, this approach means relying on historical data. Sometimes this is readily available. For example, it shows that refineries suffer an average of one major fire which might be ignited by an every ten years. But where it is not—as when new activities give rise to novel hazards—the assessors can only make their own judgment. Inevitably this is a potential source of controversy.

Their brief was to err on the pessimistic side, and they believe they have done so perhaps by a factor of two to three. The conclusion that came as the greatest surprise was that the risks identified at Canvey—desire to understand better the arose from an aggregation of hazards, not from the single hazard that might trigger a "domino effect" type of disaster. The study concludes that the risks can be reduced by a factor of four—a big factor—by some fairly simple measures.

What is more, it concludes that the new refinery for which United Refineries has planning permission could be added—subject to certain conditions—without heightening the risk. Ironically, the only organisation which the report implies is actually breaking the rules is the Port of London Authority, which is apparently failing to enforce its own speed limit on vessels. Vessels are averaging 11 knots when the speed limit is supposed to be eight knots. The difference is surprisingly important because it is calculated that bulk fuel

should quickly follow." The changes required are many and varied. One of the most important will be automatic water spray systems designed to be triggered by a release of ammonia or hydrogen fluoride, which will dissolve the toxic chemical and minimise the amount likely to drift. They could be installed, for example, at the point where the substance is discharged from the bulk carrier. The executive is discussing with Mobil ways of getting a sufficiently fast and reliable response from such a system.

Other changes are simpler, involving for instance the raising of more protective walls around processes. But the inspectors have run into some problems with British Gas over proposals that it should abandon certain activities at Canvey—such as the storage of butane—which seem to have no commercial purpose.

What will soon be required of industry, however, is that it must notify its staff when companies are operating what is known as a potential major industrial hazard. The company would also be required to carry out its own analysis of any potential major hazard in its care, and submit it to the Executive for comment. In this way, the method of analysis used at Canvey and the consequent modifications to improve safety should spread quickly through the British chemical, petrochemical and energy industries. But for many companies it is bound to come as a shock.

A problem with which the Executive still has to grapple is that of potentially hazardous interactions between neighbouring plants when the neighbours are competitors. Mr. Locke acknowledges that companies may feel they have sound commercial reasons for not sharing too much information with neighbours.

The modifications proposed for Canvey are those deemed suitable for plants which might be constructed in the next two or three years. But the kind of company for which the new UK requirements on major industrial hazards is an integral part of their engineering is already busy on what ICI, for example, calls its plant-after-next thinking, for the late 1980s and after. This envisages plants radically different from those of today in size, appearance, safety requirements, etc. For a given output, processes will be carried out safely in much smaller plants. They will need fewer stages, far less dilution, less energy to keep the materials moving. Above all they will represent a much smaller inventory of energy—in short, much less of a major industrial hazard.

"Canvey, on investigation of potential hazards from operations in the Canvey Island/Thames area. SO, £10.

## MEN AND MATTERS

## Chipping away at politicians

After a morning dealing with such bemusing terms as floppy disks, daisy wheels and bubble memories, I began to take in my stride claims such as that microprocessors would soon be changing the home as much as the motor car changed travelling. Matters, it seems, are moving fast in many areas. Secretaries be warned: John McNulty of Modular Technology told 110 of us at a seminar arranged by the U.S. Trade Center that the manager of 1982 would be able to dictate his letters into a system which would recognise most of what he said; mistakes could easily be corrected. Information could soon be stored optically rather than on magnetic disks and the like. And small personal computers could break IBM's virtual monopoly.

McNulty was keen to move from the image of computers as "huge beasts in the bowels of the corporation surrounded by white-coated acolytes." He wanted to see them better tailored to the end user. Other speakers stressed how computers would soon be made for the home not the company.

But, when I raised this idea with displays at the Center's exhibition of computers and peripherals, I began to feel that it was the humans who had become peripheral to the machines. Our institutions, too, seem to have about as much chance of controlling the development of the new technology as a croquet player of batting against Test bowlers, or so Ian Lloyd, the Conservative member for Havant and Waterloo, told the seminar. Lloyd is chairman of the House of Commons Science Subcommittee. Yesterday he had to put up with some harsh comments about Whitehall's belated recognition of developments in microprocessing and the "small

beer" of the £50m which the National Enterprise Board is allocating to set up a semi-conductor company here.

He has been pressing for greater recognition of the importance of the silicon chip revolution, and argues that we have crossed a major "event horizon."

In Lord's opinion the political consequences of this are huge. The institutions presiding over this rush into the 21st century remain 19th century in conception and scope, he believes. His basic point was that the MP is now comparatively unimportant and the MP (microprocessor) all-important—which was unusually humble coming from one of our latter-day representatives.

## Return fire

Even the beer cans are plastic on board HMS Brecon, the Royal Navy's latest and largest in plastic warships, which is being launched today in Southampton. The plastic is necessary because of the ship's function as a Mine Countermeasure Vessel, to use the RN's long speak.



"He's been drawn against Connors!"

## Putting on a show

A firm of London business consultants called Broadbent-Jones and Partners claims to be able to tell companies what to do when "approaching an important turning point." They seem to be at quite a turning point themselves: this week they moved offices from one part of SW1 to another and they have just changed their name to Corporate Consulting Group. Last month they took on several advisers—including Sir Cyril Hawker, Sir Ieuan Maddock, formerly the Government's chief scientist, and a Philadelphia businessman, Robert Calman. I asked Leslie Dighton, one of the directors, to explain this whirl of activity. "We think Europe is reaching back into the U.S. and we are preparing for it," he said. I also asked him to justify the ostentatious rocco furniture in their offices. "We think it makes company chairmen feel at home," he said.

## Classic quarrel

The next few days must surely see the climax of Merseyside's great Lyceum Club controversy. Last night there was a public meeting in Liverpool to discuss the fate of the 170-year-old neo-classic building: today a Liberal councillor will urge the

city council to reverse its decision to allow the Lyceum's immediate demolition; and tomorrow the British Rail environment committee, with Sir Hugh Casson in attendance, will devote itself to the issue. If the Lyceum is to be saved, BR represents the conservative best hope, since it has a £5m shopping centre is planned.

The Lyceum was designed by Lancashire architect Thomas Harrison, whose work is regarded so highly that an appeal to James Callaghan to save the Lyceum has been signed by architects from as far away as Japan and Peru. But the developers—and Boots the Chemists which will occupy much of the site—are keen to sweep delays aside. What some might regard as a compromise solution to outright demolition was suggested to me by Ray O'Brien, the Merseyside County Council chief executive. He thinks that the pillared facade could become the frontage of a nautical museum in the docks area. But Save Britain's Heritage, the body that has been leading the campaign to rescue the Lyceum, calls this "an awful idea," since the interior would be entirely lost. The verdict of Sir Hugh and his colleagues is tensely awaited.

## For the bird

So, it is back to Andorra again for the tale of a policeman who found a penguin and was told by his superintendent to take it to the zoo. Next day the superintendent saw the policeman walking hand-in-wing with the bird and shouted out angrily to demand where the policeman was going. "Well, yesterday you told me to take it to the zoo, so today I am taking it to the cinema."

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Observer

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# Between baby boom and alms house

JURING the next 20 years it will be very difficult indeed to reduce taxes without also reducing the amount of help we give to people within our society who are genuinely needy. That is the unstated but inescapable conclusion to be drawn from an important new study of population trends published yesterday by the Office of Population Censuses and Surveys.

The study does not talk about taxation at all. It is intended to take stock of the knowledge accumulated by our demographers and to set forth some conclusions about the age structure, family size, division by sex and race, and other characteristics of our population. Yet this kind of information can tell us more about the economy than any amount of theoretical debate about whether Labour, which is now giving us a penny off, will be rewarded by the Tories who promise at least twopenny off.

Old hands will be aware of an immediate pitfall. Predictions about the future size of the population are almost always wrong. People simply refuse to migrate, die and have babies at the rate the computers predict although in one of those fatters-dying—they are relatively more obliging than in the rest. In consequence any chart that says that the total population of these islands will be such and such in AD 2001 is almost by definition inaccurate.

This pitfall need not concern us in the present case. The authors of the report cheerfully admit the difficulty of predicting birth rates with any certainty, and they are well aware that migration patterns can change drastically. But they

do have something significant to say about the population that already exists, and it is on the basis of this aspect of their report that those who would shape our political and economic policies should sit up and take notice.

We know how many babies are in their cradles, and the pensioners who will be alive in AD 2000 are already here. With that knowledge, a likely pattern of population change over the rest of the present century can be established. Only sudden changes in the propensity to have children, or to emigrate, could upset it, and in the 25-year-run such an upset would in all probability have no more than a marginal effect. With those ifs and buts on one side, consider what we know now. First, the population has stopped growing and the curve suggests it is actually falling. Emigration has exceeded immigration in every period since the war excepting 1958-61 and 1972-73, to give a net outflow of some 200,000 in the postwar period.

The birth rate, which reached a peak in 1965 started to fall then and has never recovered since. The excess of deaths over births in 1976 was the most dramatic turning-point: nothing like it has been recorded since registrations began in the middle of the 19th century. Provisional figures suggest that the curve continued last year and in spite of an upwards blip in the birth rate this year no one is expecting a serious change in the 13-year trend.

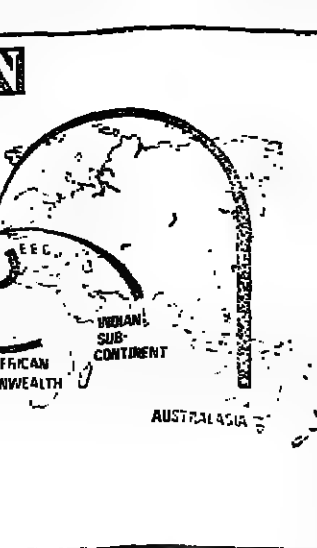
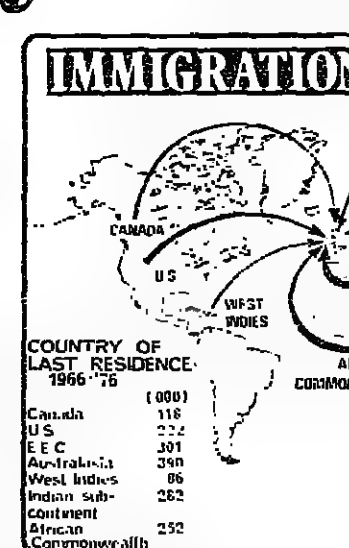
People have been talking about this phenomenon since before it started to happen, but policies take time to catch up with what most people already know. The natural policy con-

sequence of a decline of the stock of people is a gradual change in outlook away from "overcrowded islands" to "encourage more births." The prevailing xenophobia will doubtless prevent any widespread recognition of the other corollary: "encourage more immigration."

It could be argued that the sudden rise of child allowances over the past few months has emerged from a subconscious feeling among politicians that, following the French pattern, something ought to be done to encourage population growth. We can expect more. Before the family planning industry responds to this with a barrage of complaint about my thoughtlessness and insensitivity to global overcrowding, it should consider two further points: (a) the British turn-around follows a similar experience in West Germany and is thought likely to be followed in other West European countries; (b) experience elsewhere suggests that young adults are curiously unresponsive to tax and other incentives either to have babies or to refrain from having them.

All that needs to be pointed out here is that the fact of the downturn is highly likely to affect government policies, which is quite different from saying that government policies are likely to have any effect, one way or another, on the birth rate.

Leaving aside the likely size of future families, the consequences of the fall of the birth rate for families already in existence should be faced now. We are still suffering from the post-war baby boom that marked the years 1955 to 1964. All those extra young people are coming



Migration patterns to and from the United Kingdom.

onto the labour market and will continue to do so until 1983 or 1984 when they will either be at university, in jobs—or on the dole. The peak pressure will be in the year 1981, since the rate of increase of the population of working age will be at its most rapid until then.

After the early 1980s the benefit of the long-run fall of the birth rate that began in 1965 should be felt. Those whose principal concern is how to stoke up the economy at a sufficient pace to provide the necessary extra employment can take a more relaxed view about the period starting from, shall we say, the general election after the one expected this year.

The question that has to be asked today, however, is which combination of economic policies will limit the cost to the taxpayer of both unemployment and job-creation schemes between now and 1983. If the

answer is "tax-cutting and growth will solve all the problems," then we shall have to consider the social casualties of rapid growth—people who are inevitably left behind by the concomitant rate of inflation and whose demands on the taxpayers naturally increase.

The conundrum is no simpler after 1984. Retired people cost a great deal of tax money. The number of pensioners increased by 1.5m to 9.4m between 1961 and 1976 and a further increase of nearly 0.5m is expected over the next 15 years. In itself that would not matter very much, if it were not for the expected change in the age-profile of the pensioner population. If mortality rates continued to fall—to, say, the best levels achieved in other countries—the number of very old people (aged 85 and more) would increase to just over 800,000 within the next 20 years. This would be an increase of 60 per

cent. Even if mortality rates stay where they are now, the number of very old people will rise by over 30 per cent by 1991.

The cost to the National Health Service and associated social services of providing a decent standard of care for the very old is very much higher, per head, than it is for any other section of the population excepting, perhaps, babies on the day of their birth. The public spending consequences of this cannot be avoided.

Anyone is free to draw his own conclusions from evidence of this kind, but it is difficult to get around the terse summary provided by the authors of the present study. "In the immediate future," they say, "Great Britain is faced with two contrasting trends: a working population which is becoming younger and will be increasing, and a population of pensionable age which is also increasing but be-

coming older and more liable to the illnesses and disabilities which normally accompany old age."

Fine, one might say. The former will finance the latter. Alas, it is not so simple. Return to the report:

"If present trends in the employment of married women continue, the demand for new jobs will be proportionately greater than the increase in the population of working age. Thus it is expected that we shall not only have to mop up the unemployment caused by the decay of the old and inefficient heavy industries, but also the unemployment caused by the continuing wave of 'baby boom' young people coming on to the labour market. Add to that the desire of an increasing proportion of women to find work and the necessary number of jobs becomes dauntingly large."

A further conclusion follows, taken from the report: "... if women continue to be employed in the occupations which provide personal services, and if family size remains low, there will be a need for them to turn increasingly from the provision of services for the younger dependent population to providing more services for the elderly dependent population."

Whatever one thinks of that, it cannot be called private-sector, productive employment; it is quite clearly public-sector, taxpayer-financed work.

You and I might respond to this set of equations by looking elsewhere in the public expenditure White Paper for cuts. It may be possible to find them—but only an extremely determined minister could push them through. For example, the size of the school population is falling, and we need fewer teachers. Yet, says paragraph 7.9 of the report, "because of overhead expenses, possibly changes in participation rates and the management needs of the teachers, the cost of educational services will not fall in proportion to the size of the age-groups."

Being officials, they had to put it in that way. You and I could say: "The public-sector unions will insist on milking the last penny out of the taxpayers for as long as they are allowed to get away with it." Either way, the message is the same: we shall live on the swings of demographic change and, saving an alteration in the balance of power between governments and public-sector unions, we shall lose on the roundabouts, too.

*Financial Times, 21.6.78, p. 12.*

Joe Rogaly

## Letters to the Editor

### Steel industry in the EEC

From Mr. Neelson Jones

Sir—Your front page today (June 19) makes a travesty of the hopes and promises held out to the people of these islands when they were persuaded to vote in favour of joining the EEC. We were told that we were joining a confident outward-looking group interested in expansion and development in conjunction with nations overseas. How different the reality! In practice it is proved to be an ultra-protectionist grouping oriented purely to selfish interests of producers and sectional interests and operating normally to the disadvantage of the European consumer. We have seen the end of imports of New Zealand cheese into the United Kingdom. We have seen a substantial reduction of imports of New Zealand butter. Discussions now going on must throw doubt upon the quantity (and the price) of New Zealand lamb for the British consumer.

We see that, in order to protect the steel industry, severe restrictions are being placed upon the right of consumers throughout the EEC to procure steel from overseas. Now steel may be the finished product of the steel industry but it is only a raw material so far as all other industries are concerned and it is impossible to understand how it can be of benefit to the EEC trading and manufacturing community as a whole to have the price of this important raw material increased beyond that at which it is available to its competitors in other territories. If as a result of restrictions on steel imports we find that other manufacturers become uncompetitive, is it the intention of the EEC Commission that restrictions will be put upon other merchandise coming in from overseas?

Surely it is time that there should be a basic re-examination of the principles upon which EEC export trade policy is based.

Newton Jones,  
Forner House,  
17, Oakleigh Park North, N20.

### Town Hall accounting

From Mr. G. E. Tickner

Sir—The article by David Churchill (June 19) on the auditing and accounting standards of local authorities would appear to be a fair statement, not only of the position generally but also of the present relations between the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Public Finance and Accountancy arising from his matter.

The appearance in the same issue of a longer article by Dr. Michael Firth dealing with the need to restore confidence in the auditing profession because of increasing lack of satisfaction herewith underlines, I suggest, that the criticism by the first-named institute of the second-named is unfounded and ill-timed. In the same way the proposal that local authority accounting standards (including by inference auditing standards) be set equal to those required for listed public companies is hardly a worthwhile target to be reached in the light of the reports of inspectors, profit forecasts, etc. I do not recall, for example, having seen any reference to a local authority treating debts due to it as cash in hand or at bank in its accounts.

The principle of casting out the mote which is in thine

own eye could well be applicable in this case.

G. E. Tickner,  
18, Westbrooke Court,  
Crescent Road,  
Wokingham, West Sussex.

### Battle over EEC textiles

From Dr. Richard Mayne

Sir—In his letter (June 15) Mr. Beson alleges that the Commission made a deal with Portugal on textiles behind the backs of member States. These are otherwise. There is no agreement with Portugal at this stage. Member States have been kept fully informed of all phases of the consultations with Portugal, and they themselves unanimously requested the Commission to overcome a situation of deadlock through a last effort of negotiations. The results of these latest negotiations have been submitted back to member States for approval. If accepted, then there will be a deal with Portugal.

As regards the Community's policy on synthetic fibres, the European trade unions have been fully consulted. Richard Mayne,  
Head of UK Offices,  
Commission of the European Communities,  
20, Kensington Palace Gardens,  
W8.

### Professional competition

From Professor D. R. Middleton

Sir—There is a fallacy in Mr. S. P. Best's argument about professionalism (June 17). Nobody objects if a group of lawyers (or dustmen) choose to form themselves into a professional association, nor if they require certain standards of members and charge higher fees for the alleged higher quality of service. What is objectionable is for professional associations to claim the right to restrict competition. In a free market it is for the customers to decide what they want.

Even if, in terms of value for money, the present quality of service in a particular profession cannot be bettered, the argument in favour of allowing competition remains. For what about the future? Without competition, where is the pressure for continual improvement to come from? (What would the cheapest transatlantic air fare be without Freddie Laker?) It is in this respect that Professor Hayek's insight is so penetrating: "Competition is a discovery procedure." D. R. Middleton,  
Professor of Finance and Accounting,  
Cranfield School of Management,  
Cranfield, Bedford.

### A question of competence

From Dr. Monica Vincent

Sir—Mr. S. P. Best's dustman (June 17) would find an Oxbridge Fellowship or Chair extremely tiring, as he would probably need to do a 60 hour week, and he would also be very bored by that conversation at High Table. But conversation Mr. Best himself does not start his veterinary work on a bull, he would find that he soon learnt how to deal with minor animal disorders.

I do not think Mr. Whistonsmith or anyone else would suggest that other professions should be dealt with by any but fully qualified people. But intelligent people without appropriate qualifications may quickly be able to deal with a limited range of less difficult

work, under the control of a fully qualified person. Mr. Whistonsmith may be right that most conversations could be reduced to a drill which a person without a wide knowledge of the law could follow.

Our own experience of land conveyancing has been very unfortunate, in spite of being advised by an experienced solicitor. It was not until this house was completed under architect control, with the building plans approved by the District Council, that we found out we had no legal rights of access to a water main. We were dependent on a supply pipe only, which was inadequate for our needs and over which we had no control. It took several years before we were able to connect to a new water main. Such a situation could be avoided if the position of the mains services was always checked by a competent person, and way-leaves were arranged where necessary, before completion. A title plan should indicate the position of mains services, and any way-leaves.

Except in difficult cases where there is a dispute as to title, an adequate drill is more important than high legal qualifications. But if Mr. Best could restrain his flights of fancy and tell us seriously why he thinks otherwise that would be very interesting. Monica Vincent,  
The White House,  
Perranarworthal, Truro,  
Cornwall.

### Sharing out the rates

From Mr. George H. Lane

Sir—The head-ringing call from Mrs. Copeland among the letters to you today (June 19) regarding "rates" was greatly enhanced by your choice of heading: "The rating abomination." I congratulate you on the sentiment you so ably hold and I implore you to take up the cudgel on behalf of the beaten and therefore lethargic householders of Britain.

I live in a house which is one among a number of identical houses. In some, you could find several active bread-winners, in others only retired couples or widows. The former can cope with the rates quite easily but the latter, trying to make ends meet on a dwindling income (pension), find it crippling.

The houses cost around £5,000 20 years ago but their value today is nearer £40,000. How can a retired person, with a few years of lease left, find the money to pay rates which rise from £50 per annum twenty years ago to nearly £400 now? To sell the remainder of the lease and move to some inexpensive area is not only impractical but truly cruel.

Tax must be based on whatever income a person receives and local authorities should get their revenues from monies collected centrally. I know that politicians will find such simplicity truly abhorrent but I am convinced that the greater part of the British public would enthusiastically agree with it. George H. Lane,  
12, Peterham Place,  
Queen's Gate, SW7.

Subsidising the married man

From Mr. A. Sedgwick

Sir—Recently I have followed the correspondence in your columns on the Rating abomination as you chose to call it. Far from regarding it as an abomination, I feel it is a fairly just tax, if perhaps a little rough.

Like the much-maligned VAT, the tax is on what you can afford, or at least appear to be able to

afford. There are no allowances for the wife, children and budget, as it is your own fault if you live beyond your means.

Yes, I am a single and I do object to subsidising the married man. I can accept with equanimity, paying for my fair share of running the state services, even paying for the education of another's children, but paying as I do with the unjustly biased income-tax, for another man's pleasure, is too much. If a man takes on the responsibility of marriage and fatherhood, he should be sure he can afford it. Perhaps when it comes down to it, the objection that is held against the rating system is that it offers no subsidies.

A. Sedgwick,  
8, Hampton Gardens, Prittlewell,  
Southend-on-Sea.

### Education vouchers

From Mr. Derek Clarke

Sir—Joe Rogaly (June 13) is surely correct to argue that there is a compelling case for the Kent experiment in education vouchers.

We celebrated the centenary of State education with the launch of the adult literacy campaign. No service that was competitive and sensitive to parents' wishes could be as flawed as modern schools.

I am an enthusiastic supporter of the idea of education vouchers, but even if I were totally hostile to the project I am sure I would support the experiment. The NUT predicts chaos and failure. That would kill the voucher idea stone dead. I am sure Joe Rogaly is on the right track when he expresses the opinion that teachers are so critical because they fear a market in education.

The oddest feature of the voucher debate is the decision which the Tory spokesman Mr. St. John Stevens shows to the theme. He has the chance to become a folk hero—the man who gave the schools back to the people, and literacy and numeracy to the children, no doubt to respond to the universal parental apprehension by backing the Kent experimenters. Derek Clarke,  
55, Sheffield Terrace, W8.

### Directors' responsibility

From Mr. B. A. Cole

Sir—Mr. Lee (June 19) attacks me, but I believe he has misread my letter. I agreed with every substantive point he makes, and continue to disagree with Mr. Webb-Bowen (June 9). I defended British boards of directors against the sweeping attack that they are inefficient and time-serving, for which no evidence was adduced. This does not conflict with Mr. Lee's call for directors to accept responsibility for improving society. The response to this call need not, however, imply any radical overthrow of our existing traditions, in industry or in politics.

I also suggested that there is a perfectly good alternative to the two-tier board system, which may be better for the UK. The desirability of outside directors with power, to judge the executive management, is common ground between us. Finally, I questioned the value of "worker directors." We should not assume without evidence that they would be useful in the UK.

My attack is not against experiment as such. It is, however, surely up to those who propose a certain experiment to give some reasons why. Mr. Webb-Bowen is a managing director; it would be interesting

to know if a two-tier board and worker directors have been introduced in his company, and with what success.

B. A. Cole,  
"Druke Wood",  
Deonshire Avenue, Amersham,  
Buckinghamshire.

### Doubtful qualities

From Mr. H. W. Goodchild

Sir—I remember reading, many years ago, about a survey carried out by The Director. This survey revealed that at that time companies run by unqualified directors were better than those run by qualified directors. H. W. Goodchild,  
5, The Broadway,  
Crackley, Sussex.

### Life on the dole

From Mrs. Christina Lake

Sir—I agree with Michael and Pippa Jackson's suggestion (June 16) for persons receiving unemployment benefits: "If the 'unemployment benefit' were paid only to those willing to register for a prescribed number of hours per week, as an Australian who has lived and worked in this country for two years, and who has witnessed her own country's introduction of the dole system, I strongly feel that the dole systems as they presently exist in both countries are breeding a parasitical man."

At present we are paying people to lose their independence in order to survive. Perhaps what we should be doing is either requiring people to be retrained (as they are unable to obtain work in their present vocation) or paying them to do miscellaneous jobs for a prescribed number of hours per week. Either way, the dole recipients would not be classed as, or have reason to feel like, "freeloaders," and I am sure the workforce could only be enhanced by these situations.

Some humane action in respect of this weakness in the present structure of our society is required now. Christina Lake,  
36D, Lilbridge Road,  
Pursons Green, SW6.

### Number of Jubilee Crowns

From the Deputy Master and Comptroller, The Royal Mint

Sir—The final paragraph of Mr. W. F. Richardson's letter (June 14) expresses concern that the Royal Mint should still be offering the proof silver version of the Jubilee Crown more than a year after its first appearance. The explanation is that because of the pressure of export and other essential work it became impossible for the Mint to meet all the demands for this coin last year. It was accordingly decided to extend the issue of the proof version of the 25th anniversary of the Coronation, and thus give everyone wishing to purchase one of the coins a reasonable chance of doing so at the issue price. Because of uncertainty about the possible extent of the demand, the size of the issue has not so far been announced, but it will be stated in the final advertisements due to appear next month. The figure is 500,000 which is no more than would have been given some reasons why. Mr. Webb-Bowen is a managing director; it would be interesting

to know if a two-tier board and worker directors have been introduced in his company, and with what success.

D. J. Gerhard,  
Royal Mint, EC3.

## Today's Events

Mr. Denis Healey, Chancellor of the Exchequer, meets delegation from British Institute of Management at working dinner, Downing Street. Witnesses: Mr. A. PARLIAMENTARY BUSINESS  
House of Commons: Debate on housing. Parliamentary Pensions Bill, committee stage. Nuclear Safeguards and Electricity (Finance) Bill, committee stage.  
Select Committees: Expenditure, Trade and Industry sub-committee. Subject: Measures to prevent collisions of noxious cargo carriers. Witnesses: General Council of British Shipping, British Ship Research Association. 10.30 a.m. Room 18, National

Industries sub-committee B. Subject: Future of electricity supply industry. Witnesses: Mr. A. Wedgwood Benn, Energy Secretary (10.45 a.m. Room 5), Public Accounts Committee. Subject: Appropriation accounts 1976-77. Trading accounts. Witnesses: Scottish Development Agency, Scottish Economic Planning Department, Forestry Commission (after 4 p.m. Room 18). Parliamentary Commissioners for Administration. Subject: Ombudsman (review of access and jurisdiction). Witnesses: Professor R. G. Gregory, University of Reading, Mr. D. W. Williams, University of Manchester (5 p.m. Room 7).

COMPANY RESULTS  
Lindbergs (full year). Tesco Stores (full year).  
COMPANY MEETINGS  
Albany Investment Trust, Liverpool, 2.30. American Association, 18A, City Road, E.C. 12.30. Anglo Siles, West Drayton, 8.15. Bristol Estate, 22, Ely Place, E.C. 12.15. City of Oxford Investment Trust, 41, Bishopsgate, E.C. 11.30. G. W. Collins, St. Helens, 10.30. Hawker Siddeley, Dorchester Hotel, W. 12. House Property of London, Wimbledon, 12. E. Le Bas, Savoy Hotel, W.C. 12. London and Lennox Investment Trust, 2, St. Mary Ave. E.C. 11.30. Seacombe Marshall and Camplin, 7, Birch Lane, E.C. 4.30. Wadham Strimmer, Hayling Island, 12.



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# Expansion plans continue at AB Foods

THE SATISFACTORY results of Associated British Foods for 1977-1978 again demonstrate the group's activity and strength across a wide segment of the food industry. Mr. Garry H. Weston, the chairman, says in his annual report.

The results also reflect the policy of continued heavy investment in fixed assets on which long-term earning growth in the group's industries so heavily depends, says Mr. Weston.

For the year ended April 1, 1978, pre-tax profits amounted to £77.63m compared with the previous year's record £80.36m from sales of £1.68bn, up from £1.49bn. The net dividend total is £3.281p (2.0754p).

A current cost statement of profit shows depreciation adjustment of £20m, cost of sales adjustment, £10m and a gearing adjustment of £8m giving an adjusted profit before tax of £47m. Mr. Weston says profit growth will be achieved in the current year "although overall volume growth in the food industries in the countries in which we operate continues to remain almost static and the combined effect of Government regulations and severe competition make the attainment of better trading margins difficult."

Capital expenditure was maintained at a high level and exceeded £70m compared with £62m previously. In the UK, it was possible to cover capital expenditure of £44m and an increase of £12m in working capital without any increase in borrowings.

Overseas it was necessary to increase borrowings by £23m to fund £27m capital expenditure and working capital increased by £11m. On the group's bakeries in the UK, the chairman says heavy investment continues together with modernisation and cost reduction. Some 100 smaller bakeries were closed during the year though many were replaced by larger units and sales through these continue to show good growth.

Recent developments offer the opportunity for a more balanced, sensible and viable bread industry, says Mr. Weston. "We hope that after the first phase of readjustment, some measure of profitability will return to the industry."

Substantial capital expenditure continued in the milling division and operations have been strengthened by the completion of the major work at Healdings Mill, Tewkesbury. Burton's Biscuit Company again achieved a commendable increase in the value and volume of sales while

## 'Creditable' first half by Greenfield

The six months to April 30, 1978 at Greenfield Mills results in a marginal improvement in pre-tax profits from £316,000 to £326,000.

The directors describe this rise as "a creditable performance" and point out that last year's first half was exceptional. The attractive exchange rate encouraged more tourists to the West End of London; also the 1978 long hot summer caused retailers to replenish supplies from the company's wholesale division 1, and Mr. Steiner.

In addition during the six months under review expenses were incurred in opening two new warehouses, one for retail and the other for wholesale. It is explained that these were opened in readiness for the

group's planned second-half expansion. Currently six new retail units are under negotiation and three existing branches are being doubled in size. The group's sales area will be increased substantially by the end of the year.

Inevitably these setting-up costs will have a bearing on second half figures, but the operations will provide the basis for further growth, the directors state.

The interim dividend per 10p share is stepped up from 0.5655p to 0.625p net on earnings shown to be unchanged at 1.47p per 10p share. Last year's total payment was 1.75p on profits of £355,000. In May a scrip issue on the basis of one 10p cent cumulative preference share for every 12 ordinary shares was announced.

Turnover for the first half rose from £42.1m to £5.08m. Tax took £159,000 (£184,000) leaving the balance at £137,000 (£152,000). The group operates as a retailer and wholesaler of leisure and camping equipment.

Statement Page 23

## Lines Bros. creditors get final 10p

Mr. Paul Shevell of Coopers and Lybrand and Mr. Michael Jordan of W. H. Clark Gully and Co., the joint liquidators of Lines Bros., announce the repayment in full of the claims of the unsecured creditors of the company, including the holders of the unsecured loan stock. Creditors have already received 50p in the pound and the balance has been despatched, to creditors.

This means that claims totalling £14,475,000 have been settled by the joint liquidators. The further monies still remaining in the liquidators' hands will be applied to meeting in part claims from creditors who are legally entitled to interest on their debts. There will be no distribution to the holders of the preference and ordinary shares.

## BARRO EQUITIES

The liquidator of Barro Equities states that any final distribution will be extremely small. The total distribution to date is £2.23 per £1 share.

## Capital & Counties to improve

WITH A full year's benefit from reduced interest charges, net income of Capital and Counties Property Company from property holding should show a further substantial improvement during the current year—though this may be partly offset by a lower contribution from housebuilding, says Mr. Keith Wallis, chairman.

As reported on May 27, lower interest for the year 1977-1978, helped the company turn round from a loss of £4.2m to a taxable revenue of £3.07m.

Looking ahead the target is to build up an increasing flow of property income on the restored strength of the balance sheet and deriving from the investment portfolio and trading activities, including housebuilding and property dealing.

Mr. Wallis points out that the property market is currently a very competitive place. Nevertheless, the directors are continuing to look for and are finding new business which will yield a worthwhile return.

In order to achieve this they are concentrating their attention where they have special expertise—in particular the London area and shopping centre projects.

Last year following the sale of the Knightsbridge Estate and the refinancing of the Victoria Centre, Nottingham, group borrowings were reduced by £46.5m, including £22.8m repayable in foreign currencies. By the end of March, 1978, borrowings had been further cut to £42.9m of which foreign currency loans amounted to £19.2m.

Since the year-end the major portion of the Hamburg site has been sold for £10.5m thus eliminating £10.7m from both total and foreign currency borrowings. The remaining foreign currency exposure consists largely of the outstanding balance of £13.1m of 9 per cent guaranteed bonds 1979-88.

The directors took advantage of the recovery of sterling during the year under review to repurchase US\$ 2.5m nominal of these bonds at a discount and to repay a US\$ 3.5m loan, also at a discount.

## H. SYKES BUYS SAUDI STAKE

Henry Sykes, the pump manufacturing group, to take a 40 per cent stake in a £250,000 joint venture with Oase Trading Establishment of Saudi Arabia.

Henry Sykes said yesterday that Saudi Arabia sales last year accounted for some £400,000 of its total Middle East sales of £4.2m. The company expects the new associate Oase Sykes, which will be operational on July 1, to improve on that sales figure. Besides marketing Henry Sykes' products, Oase Sykes will undertake ground dewatering and contracting.

Oase Trading, which will be the controlling shareholder, has been Henry Sykes' distributor in Saudi Arabia for the past six years.

## JOKAI/LONGBOURNE

Jokai Tea Holdings and Longbourne Holdings announce that the proposed merger by means of a Scheme of Arrangement was approved at shareholders' meeting on June 19, 1978. Accordingly appropriate steps are now being taken to obtain the sanction of the Court.

## SHARE STAKES

Harrisons Malaysian Estates—Following further acceptance of offer, Harrisons and Crosfield is now interested in 102.97m (61.88 per cent) shares.

Blackwood Hodge—As a result of the capitalisation issue, J. H. Robertson and other (the Mary Sunley family settlement) has acquired 3,804,022 shares and now holds 11,412,000 (19.0 per cent) shares. H. Robertson and others (the Bernard Sunley family settlement) has acquired 3,731,749 shares and is now interested in 11,253,248 (19.7 per cent) shares.

Hanting Gibson—VIT Securities has disposed of 17,700 ordinary shares reducing its holding to 77,300.

Grange Trust—Courtauld's CIP Nominees is interested in 485,000 (5 per cent) ordinary stock units.

Ewart Northern—Northern Bank Development Corporation acquired 70,900 ordinary shares and now holds 112,900 (just over 17 per cent).

Smith St. Aubyn and Co. (Holdings)—Hambros Investment Trust has sold 133,120 (1.0 per cent) cumulative redeemable 2nd preference shares (9.50 per cent).

Francis Industries—West City Securities has sold 40,000 ordinary shares reducing its holding to 780,418 (10.30 per cent).

Drayton Far—Eastern Trust—Scottish Amicable Life Assurance Society has sold its holding of 980,000 ordinary shares (8 per cent).

Hornfay and Co.—Mr. D. E.

## MINING NEWS

# 'Tanks' needs to keep irons in the fire

BY KENNETH MARSTON, MINING EDITOR

DESPITE LAST year's modest fall in net profits to £2.5m from £3.3m and a reduction of 1p to 10p in the dividend, the shares of Tanks Consolidated Investments continue to attract a fair amount of market interest thanks to hopes regarding the company's diversification which is now reflected in a proposal to change the name to Tanks Consolidated Investments.

Much of this interest springs from "Tanks" stake of 8.4 per cent in the Ashton diamond venture in Western Australia in which Combe Motinto of Australia has an interest of 25.6 per cent. "Tanks" points out that the project is still far from being commercially exploitable and "substantial" further expenditure is needed, but "prospects of ultimate success are encouraging."

Of the company's traditional interests, the Benguela Railway in Angola continues to operate under great difficulties within that country, but has carried international traffic since the frontier was closed in 1975. No income is being received from the railway whose future depends upon the resumption of international traffic.

The major investment of "Tanks" continues to be 17.5 per cent of Belgium's Union Minière which last year reduced its dividend to Bfr 500 from Bfr 500. After having faced possible closure as a result of the copper price slump, the company's share value in Canada is currently yielding a small cash flow. The modest-sized Oracle Ridge copper venture in Arizona, in which UM has a 40.5 per cent stake, is due to reach production in 1980.

In the UK the Elber Industrial group, in which "Tanks" now has a stake of 39.4 per cent, has reorganised its financial resources "to allow further growth in business." Meanwhile, "Tanks" still awaits success in its participation in the North Sea oil and gas search.

"Tanks" gives no forecast of current year's prospects in its latest annual report and there seems no reason to expect any improvement in earnings. It remains to be seen whether the attraction of the group's various speculative irons in the shares which were 156p yesterday.

## QUEBEC HELPS ORCHAN MINES

The provincial Government of Quebec is making further interventions in the local mining industry, reports Robert Gibbons from Montreal.

In the first place it is making a grant of C\$344,000 (£167,425) to help keep open a zinc mine owned by Orchan Mines, a Noranda unit. The company had planned to shut the mine for 18 months and lay off 175 workers because of the depressed level of the metal price.

The second move is likely to be in the asbestos industry. Industry sources said that General Dynamics, a U.S. corporation, expects shortly to begin preliminary negotiations with the Quebec Government on the takeover of its subsidiary, Asbestos Corporation.

The takeover would be effected by the new National Asbestos Corporation, which is owned by the provincial Government. This will be the first direct negotiations between the two sides, both of whom have been preparing their valuations.

## Shell Coal's Swaziland coal find

SHELL COAL, which maintains an extensive prospecting programme in southern Africa, has discovered an anthracite coal deposit in Swaziland and is carrying out feasibility studies to determine whether or not it can be economically mined, reports Richard Rolfe from Johannesburg.

No reserve figures are yet available, but reports suggest that the deposit is being considered, probably up to about 0.5m tons per year.

A major constraint is the availability of a rail link to the deposit which lies under sugar-cane lands about 20 miles north of the rail way from Mbabane in Swaziland to Maputo in Mozambique. Estimated costs of the rail link are put at about R30m (£18.5m).

Shell Coal, a subsidiary of the oil major, is also examining large low-grade coal reserves in Botswana. Its main project in the region is the Rietfontein Colliery with Rand Mines, which comes on stream later this year and will build up to 5m tons of export coal annually.

## GOLD OUTPUT RISE HALTED

The steady rise in South African gold output was checked last month, the latest statistics from the Chamber of Mines reveal.

Output during May at 1,900,385 oz was 58,211 oz lower than in April, the first decline after five successive months of rises.

But the cumulative total of production for the first five months of the year at 9,373,242 oz is still higher than in the comparable period of 1977, when the total was 9,072,983 oz. However, output in 1977 was exceptionally low.

## NANISIVIK PAYS DEBTS ON TIME

Nanisivik Mines, the Arctic lead producer, is making enough money to pay interest on loans and make the first mandatory payments on the principal, reports John Sogahian from Toronto.

A statement to this effect was made by Mr. C. Franklin Azar, the president of Mineral Resources International, the Toronto company which owns 59.5 per cent of the operation. Other shareholders are the Canadian Government, Billiton and Metallgesellschaft.

In fact there was a small operating loss last year and a further loss of C\$22m (£10.7m) in the 1978 first quarter, largely owing to a 31 per cent decrease in the European producer price for zinc between the start of production in October 1976 and the last

payment period for concentrates shipped in 1977.

Mr. Azar anticipates some strengthening in zinc prices by the time Nanisivik ships and sells concentrates in the last quarter of this year and the first quarter of 1979. Meanwhile a concerted effort is being made to control and reduce operating costs, he said.

In other areas of its activities, Mineral Resources is negotiating to bring a magnesite property in British Columbia to production and has purchased a two-thirds interest in U.S. coal properties with reserves of 16.5m tons and two producing mines.

ROUND-UP

Gecamines, the state-owned Zairean minerals producer, is seeking a further \$46m (£23m) in loans from foreign banks to help finance its five-year development plan. Negotiations, expected to take a year, will be with the World Bank. The group has already received \$220m from foreign banks.

Two Malaysian tin producers have announced increased pre-tax profits. In the year to March, Kuala Lumpur Tin Fields made M\$2.7m (£1515,383), compared with M\$1.4m the year before and recommends a final dividend of 30 cents (6.53p) gross. Kranat Tin Dredging made M\$3m (£688,705) against M\$601,785 and recommends a final of 20 cents (4.53p) gross.

Seitrust Engineering, a subsidiary of Selection Trust, has set up Seitrust Consultants, bringing together consultants from the disciplines of geology, mining, mineral processing and extractive metallurgy.

At yesterday's meeting of Beval Tin and Wolfram the chairman, Mr. L. G. Stopford Sackville, said that production at the Portuguese wolfram mine is still below budget. A further wage settlement within the framework of the Portuguese Government guidelines. He added that the overall picture was "still reasonably healthy" and was confident that satisfactory profits could be attained this year, given fair prices for wolfram.

Bond Corporation Holdings of Perth, which is acquiring a 25 per cent stake in Endeavour Resources, the Melbourne mining and exploration company, has paid A\$500,000 (£310,820) on its purchase. The instalment was due for payment next year.

In New York, Continental Copper and Steel Industries said it had decided to write off its investment in the 50 per cent owned Minero Sagaces of Chile, which operates a loss-making copper mine. The write-off is \$4.7m (£3.65m).

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### CENTENARY YEAR RECORD RESULTS.

Mr. B.J. Pitchford, Chairman, reports results for the year to 31st March 1978.

	1978	1977
Sales	£17,250	£15,685
Profit before taxation	2,372	2,025
Profit after taxation attributable to Shareholders	968	893
Dividends	353	310
Profit retained	615	583
Earnings per Share	2.61p	2.23p
Assets per Share	23.21p	22.05p

"The Group started the current year with strong order books and in the absence of any unforeseen circumstances the results of the half year to September 1978 should be satisfactory. Although the coming year will be difficult in some areas of the Group's activities, I have every confidence that further progress will be made."

The Directors' Report & Accounts are available from the Secretary, Church Street, Warrington.

## THE BROCKS GROUP

Points from the circulated statement of the Chairman, Mr. B. R. Clack

Profits before tax for the year were £893,248, a 15% increase over the previous year.

The Directors recommend a final dividend of 2.004p—the maximum permitted—making a total of 3.404p (3.013p).

It has for some time been the Board's wish to increase the Group's investment in the electronics industry and in particular the marine field. As a first step we have purchased the Callibury range of Marine products.

The marine Division's turnover and profits are running at increased levels. Further new products are scheduled to appear this year.

The products of our In-Car Entertainment Division now have a sizeable part of the retail market. A new VHF radio and radio cassette player are shortly to be introduced to increase turnover and exports.

I am cautiously optimistic for the future and would expect profits in 1978 to be in the region of £1.7m.

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## NEW ISSUES

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The Rt. Hon. THE EARL OF JERSEY  
P. MALET DE CARTERET  
R. G. MALTWOOD  
Dr. I. H. THURSTON, Ph.D.

### Financial Highlights for the year ended April 30th, 1978

	1978	1977
Earnings per Ordinary share	14.42p	13.32p
Dividend per Ordinary share	13.0p	11.5p
Total Net Assets	£18,659,301	£17,552,462
Net Asset Value per Ordinary share	316.5p	293.75p

### Extracts from the Chairman's Statement

It has become even more hazardous to endeavour to make a projection for the year ahead, due to the speed at which governmental policies and economic factors enforce a re-assessment of investment consideration.

The two main problems affecting the economy of most countries have been, and remain, inflation and unemployment. Coupled with these are rising interest rates, over-rapid growth of money supply, volatility of exchange rates and lack of industrial investment in many countries.

We are therefore somewhat cautious about the immediate outlook, but our portfolio of good quality investments should, as in past years, stand us in good stead. We shall remain watchful for any sign of improvement in world economic conditions in order that we can take advantage of any new factors wherever and whenever they may arise.

Copies of the Report and Accounts are available from the Secretary of the Company, 21, Broad Street, Jersey, C.I.

## Greater demand for EDITH services

Points from the statement of the Chairman, Lord Seeborn

"We invested the record amount of £2.6 million—over £1 million more than in the previous year. The great majority was in unlisted shares in 28 companies, of whom 16 were new customers."

"Our net revenue after tax has continued to rise quite satisfactorily with the gradual investment of surplus funds in dividend-bearing shares. Our dividend income rose by over £250,000 last year and a still larger rise is expected in the current year."

"Our issued share capital reflects the issue of 60,000 new shares to shareholders of A. P. Burt & Sons Limited in part consideration for a 28.8% equity stake in that company in November 1977. Clearance was obtained from the Inland Revenue for rollover relief to the vendors in respect of capital gains tax on the exchange of shares, under Section 40 of the Finance Act 1977. Two similar share-for-share issues are at an advanced stage of negotiation, and several more are under consideration. The new provision is an important concession for shareholders in unlisted companies."

which wish to remain independent as, for the first time, rollover relief can be obtained without selling control of the Company."

"Our primary object is to assist in preserving the independence of unlisted companies which are self-sufficient in management and financial resources. In spite of the unwelcome climate of recent years, there is no shortage of such companies at the moment. Prospects for future investment remain very good."

At the AGM on June 20/1978, resolutions were passed inter alia:

\* declaring a net dividend of 8.0p per share (compared with 7.5p last year before a 1-for-15 capitalisation issue)

\* sub-dividing each share of £1 into four shares of 25p each

\* making a further capitalisation issue of four new 25p shares for every ten £1 shares held on May 19/1978.

Copies of the Report and Accounts and further information are available from the Secretary.

ESTATE DUTIES INVESTMENT TRUST LIMITED

91 Watlington Road, London SE1 8XP. Telephone 01-928 7822

مكتبة النخيل



## BIDS AND DEALS

## Audiotronic's cash infusion

The equity infusion into Audiotronic Holdings, the company which owns the Lasky chain of shops, was arranged over the weekend and under great pressure. It was only three weeks that the management disclosed the full extent of Audiotronic's financial position. The operating loss, since the takeover of King Music, was £1.2 million, and the company's net worth, as at the end of June, was around £1.2 million.

The price of pulling out of the Lasky chain of shops was a maximum loss of £1.5 million, plus the French debt of £1.5 million, guaranteed by the French government. This compares with Audiotronic's net worth in the last month of £2.2 million. It was therefore a significant loss to the chairman, Mr. Geoffrey Rose, and to his advisers, Mr. Dan Sullivan and Mr. Benson Selzer, who are taking up 2.5m of these preference shares for £250,000. The rest will be placed by brokers Buckmaster and Fuller with individuals and with institutions at par.

These three men will be joining the Audiotronic Board and Mr. Rose will take over from Mr. Derek Smith as chairman, though the latter will remain a director. Mr. Rose says that he is "no non-executive chairman" and that he will "get stuck in and help run it". Both Mr. Rose and Mr. Smith maintain that there is nothing wrong with Audiotronic. It is the unfortunate business in France is excluded.

Mr. Smith said yesterday that but for France Audiotronic would have made a profit in its transition accounting year, which ends in February 28, 1978. This profit would have been smaller than the £1.1m pre-tax that the company reported the previous year, but would nevertheless have represented a turnaround from the loss of £52,000 reported at half time. The ex-chairman also predicted that the company would return a profit in its current business year.

Describing the French venture which got Audiotronic into this predicament, Mr. Smith said that he had been eyeing the French market for some years before the collapse of King Music, a company which had provided Audiotronic with an opportunity. In June last year Audiotronic made an interim arrangement with the receiver of King Music, a company which had attempted to under-cut the French hi-fi market through a chain of 50 shops.

Audiotronic rented use of these shops, took on King Music's head office staff, bought the com-

## APPOINTMENTS

## Executive posts at Key Markets

Mr. David Caulfield has been appointed managing director of KEY MARKETS, the supermarket subsidiary of Fitch Lovell. Joining the Board of Key Markets are: Mr. M. Callan (retail), Mr. G. Jury (property), Mr. W. Pepper (personnel), Mr. J. Ridgeway (retail) and Mr. J. Williams (marketing).

The CHARTERHOUSE GROUP is to develop the hire and service of the sales and distribution of PTS Edmundson Tools under separate management. From January 1, 1978, there will be two companies: PTS Edmundson Tools, for sales and distribution, and a new hire and service company. Mr. G. J. Brown will be managing director of PTS Edmundson Tools and Mr. D. J. M. Cooper, managing director of the hire and service company. Mr. G. J. Creed will move to the new position of industrial sales director. PTS Edmundson Tools. Mr. G. K. Edwards joins the Board of both concerns.

Mr. Anthony van Kleef, managing director of UKF Fertilisers, will be leaving this month to become the director of production and engineering for the UKF GROUP in Holland. Mr. Willem J. van Asselt is to be managing director of UKF Fertilisers in place of Mr. van Kleef, who will remain on the Board of that company.

Mr. Donald Wilson has been appointed director of engineering for NORTH WEST GAS from July 1.

Mr. John Allan, manager, domestic operations, in the marketing division of the British Gas Corporation, has been appointed sales director of NORTH THAMES GAS.

Mr. C. A. Bilbow has been appointed the new ASHBY & CO. HORNERS HOLDINGS and continues as managing director of Ashby and Horner Humberstone. Mr. E. Davison has joined the Board of Ashby and Horner Humberstone as a director. Mr. D. Gaskell remains managing director.

NEW WORLD KITCHENS has appointed three new members to the Board. They are Mr. John W. Cowling (marketing), Mr. Robert W. Davis (financial) and Mr. John J. Naretti (works).

Mr. S. W. Chawner has retired as a director of SPENCER GEARS (HOLDINGS).

Mr. James W. Willoughby has been appointed works director and Mr. J. M. Smith, commercial director, on the board of STEEL PARTS, a Glyndwed steel division company.

The CHASE MANHATTAN BANK, N.Y. has appointed Mr. Dominique Clavel to be its general manager in France and regional coordinator for the bank in France, Belgium and Switzerland. Mr. Clavel joined Chase in 1968. He was appointed head of the credit department in Paris in 1970 and subsequently held a number of appointments in the Far East before becoming general manager of the Banque de Commerce in Belgium during 1976.

Mr. Jack New has been appointed consultant to the GODRELL GROUP, international foreign exchange and currency deposit brokers.

Mr. Geoffrey Rose, Mr. Dan Sullivan and Mr. Benson Selzer



Mr. D. Caulfield

have been appointed directors of AUDIOTRONIC HOLDINGS. Mr. Rose becomes chairman in place of Mr. G. W. Smith who remains a director. Mr. Michael Adler has resigned.

Mr. Donald Randle has been appointed a director of ALFRED DUNHILL.

Mr. Graeme A. Tully has been appointed finance director of WEIR FOUNDRIES from September 1.

Mr. Peter W. Dobson has been appointed technical director of J. H. CARRUTHERS AND CO.

Mr. Michael Sargent has resigned his directorship with RAPHAEL ZORR, stockbrokers, and has joined the Board of R. J. BLAIR OF BYFIELD as chairman and managing director.

Mr. D. E. Cox has joined the Board of the RAMSBURY BUILDING SOCIETY.

Mr. John Hemmings has been appointed a director of DAILY MAIL AND GENERAL TRUST.

Mr. Thomas C. Roberts has been appointed vice-president, finance of SCHLUMBERGER from August 1 to replace Mr. Herbert G. Reid, executive vice-president and chairman of the finance committee, who is resigning. Mr. Clement Manton succeeds Mr. Roberts in the UK, taking over as managing director of Schlumberger Measurement and Control (UK). Mr. Manton has also been appointed chairman of the company's three subsidiaries: Sanamo Weston, Membrain, and the Solartron Electronic Group.

AZCON CORPORATION states that Mr. David G. Lloyd-Jacob, president and chief executive officer, has been elected to the additional position of chairman, succeeding Mr. John H. Nichols. Mr. Robert L. Barham and Mr. George R. J. Onise have joined the Board. The parent concern is Consolidated Gold Fields.

Mr. Douglas W. Fields has been elected a director and acting general manager of the European office of FACTORY MUTUAL INTERNATIONAL. He will continue to work in London, where he has been manager of Insurance operations since 1976. Mr. Howard E. Wolf, the present managing director, will return to Arkwright-Boston organisation in Waltham, Massachusetts.

## MOOLOYA

Mr. Bernard Terry, a director of Customagic, said yesterday that it was in the best interest of shareholders to accept Mooloya's offer for the company. The bid has caused a split between the Terry family and other directors of Customagic who are recommending shareholders to reject the offer.

The Terry family, controlling around 26 per cent of the ordinary shares, has already accepted the 20p a share offer taking Mooloya's holding to 47 per cent.

The current bid marks a turnaround in Mooloya's stance of just six months ago when it supported a deal to put Mr. Michael Ashcroft and his partner Mr. Alan Clegg on to Customagic's board to revive the company's fortunes. As part of this deal the Terry family interests were to resign from the board.

Now Mooloya has entered into a contract to appoint Mr. Bernard Terry as director for the mail order division provided the offer goes unopposed.

Mr. Michael Campbell, chairman of Mooloya, said yesterday that Mr. Maurice Prax, a consultant based in Jersey with long experience of the textile industry, had been a key figure in initiating the deal.

Mr. Prax also features in material contracts revealed in Mooloya's offer document sent to shareholders on Monday. He has agreed to make his consultancy services available to the group conditional upon Mooloya acquiring over 50 per cent of Customagic.

Mr. Prax is also closely associated with Gras d'Esu Consultancy in Jersey and is to receive a fee in the event that certain shareholders of Customagic accept an offer by Mooloya for their shares.

## IOM RAILWAY

Shares of Isle of Man Railway which is going into voluntary liquidation rose 29 to 219 in London yesterday. The shares are only listed on the Isle of Man but there are very occasional dealings in London under special Stock Exchange rules.

The sharp rise yesterday follows statements made by the company's chairman at an extraordinary meeting last month that distributions to shareholders could be as much as £20. The company, which has been public for more than 100 years, has sold off its railway and bus service interests over the past 18 months.

## Plessey 1977/78 Results

The rising trend of the previous financial year continued in 1977/78. Performance across the Group was generally good, but exceptional losses were experienced by the Consumer Electronics subsidiary, Garrard, as anticipated. But for these, pre-tax profits would have grown by about 20 per cent.

In the event, profit before tax at £42.9 million for the year was nevertheless an increase of 6.3 per cent, despite the Garrard loss of £5.6 million.

During the year, sales worldwide increased by 7.4 per cent to £611 million and showed a small increase by volume. UK exports were up from £94 million in 1976/77 to a record £121 million and these, together with sales by overseas companies, represented 53 per cent of the Group's turnover. Earnings from these overseas businesses, excluding UK exports, amounted to 43 per cent of the Group total.

The Group's order book at March

1978 totalled £700 million, and was up 18 per cent on the previous year.

The extraordinary item of £7.0 million relating to Telecommunications includes an additional amount in respect of the Post Office cuts to be incurred on surplus stock, dilapidations, and the losses due to the consequential effects of implementing the full programme.

## Dividends

The recommended final dividend of 2.49883 pence per share payable on January 1, 1979 to Shareholders on the register on November 17, 1978, if approved, together with the interim dividends already paid or declared, will amount to 5.4059 pence per share for the year, compared with 4.9 pence per share for the previous year, an increase of 10 per cent. This is the maximum increase permitted under current UK legislation, and is based on the current rate of tax remaining at 34 per cent.

The Plessey Company's consolidated results for the fourth quarter and audited results for the twelve months to March 31, 1978 are as follows, (with the previous year's results for the equivalent quarter and twelve months by way of comparison):

Figures in £000's	3 months to March 31 1978	3 months to March 31 1977	12 months to March 31 1978	12 months to March 31 1977
Sales	168,500	160,500	611,100	598,600
Profit on Trading	15,934	17,471	64,848	60,041
Depreciation	5,457	4,802	21,041	18,727
Operating Profit	10,477	12,669	43,807	41,310
Associated Companies	2,480	2,374	10,198	8,463
Interest Receivable	684	282	1,748	1,472
Interest Payable	2,287	2,674	10,319	8,674
Rationalisation Costs	419	817	2,562	2,719
Profit before Taxation	10,859	11,770	42,880	40,321
Taxation	3,700	3,800	14,652	12,959
Profit after Taxation	7,239	7,970	28,228	27,362
Minority Interests	217	111	948	888
Earnings before Extraordinary Items	7,022	7,859	27,280	26,474
Extraordinary Items				
Business Closures (Groups)			6,968	18,094
Other			1,069	1,068
Taxation			70	2,578
Associates			107	107
Earnings after Extraordinary Items			17,338	11,759
Dividends - including proposed Final			12,785	11,583
Retained Earnings			4,553	260
Earnings per share (in pence)				
Before Extraordinary Items	3.9p	3.2p	11.8p	11.2p
After Extraordinary Items	—	—	7.4p	6.0p
Weighted average number of shares (in thousands)	238,174	285,219	235,844	235,142

(1) The results of overseas operations have been converted at March 31, 1978 rates. Currency revaluation during the year estimated to have cost the Group £800,000.

(2) Fluctuations in the net worth of overseas assets, due to the movement of currencies since April 1, 1977 amount to £5.1 million compared with £2.6 million in the previous year. These were formerly classified as an extraordinary item, but are now charged direct to General Reserve.

(3) The Group has adopted the draft recommendations of the UK Accounting Standards Committee (ED18). As a result, UK Corporation Tax has been provided only to the extent that it will become payable in the foreseeable future. The comparative data for 1976/77 have been amended accordingly.

(4) Certain items previously accounted for as Contingent Liabilities have been charged to General Reserve, and pre-tax profits as reported for the March Quarter 1977 and for the twelve months to March 31, 1977 have consequently increased by £185,000 and £740,000 respectively.

The Company's full Report and Accounts will be posted to Shareholders on August 8, 1978. The Annual General Meeting will be held on September 1, 1978 at Millbank Tower, Millbank, London, SW1.

**PLESSEY GROUP**  
Operating internationally in 138 countries

631-2-106

## Tanganyika Concessions Limited

Summary of the Statement by the Chairman  
The Hon. A. L. Hood

## Salient figures

	1977	1976
Capital and reserves	£28,681,852	£28,681,704
Quoted investments at market value	30,268,886	42,336,846
Dividend received from Union Minière	1,793,296	2,215,612
Dividend received from Benguela Railway Company	Nil	Nil
Other dividends and interest	1,006,792	1,024,619
Profits of Elbar Industrial Limited	2,016,244	423,042
Losses of Tanks Oil and Gas Limited	(101,411)	(385,481)
Other income	519,861	410,914
Profit before taxation and extraordinary items	4,406,107	3,217,630
Profit after taxation and before extraordinary items	2,250,875	2,389,985
Extraordinary items	(521,933)	1,896
Earnings per Ordinary stock unit	12.34p	13.12p
Dividend on Ordinary stock	10p	11p

- **Union Minière** - The Company is gradually shifting the emphasis of its expenditure from exploration to mining and metallurgical development.
- **Benguela Railway Company** - Uncertain conditions prevailed throughout 1977 and the future remains unpredictable.
- **Elbar Industrial Limited** - The profit from all sources was £2,073,149 against £366,874. Elbar is now 59.1% owned by Tanganyika Concessions Limited.
- **Tanganyika Holdings Limited** - The Company has an 8.4% interest in the Ashion joint venture in Australia.

Tanganyika Concessions is involved with mining through close association with Union Minière and with transportation through its 90% Group interest in the Benguela Railway Company. The Group is also involved in oil and gas exploration and development, agricultural engineering, commercial property and timber.

Copies of the full Statement may be obtained from the Registered Office of Tanganyika Concessions Limited, 6 John Street, London WC1N 2ES.

## C. &amp; W. WALKER HOLDINGS LIMITED

SPECIALIST ENGINEERS IN HEAVY METAL FABRICATIONS, LIGHT METALWORK AND FABRICATIONS IN ENGINEERING PLASTICS FOR ALL INDUSTRIES

"Excellent results achieved during a very difficult year for engineering companies. Annual rate of return on capital employed above 25% for whole year," reports G. Lewis, C.Eng., F.InstGasE., Chairman & Group Managing Director.

	1978	1977
Turnover	£6,107	£5,264
Profits before taxation	747	597
Profit available for appropriation	342	275
Dividends	104	28
Earnings per share	21.2p	19.0p

The 1978 Report and Accounts are available from the Secretary, C. & W. Walker Holdings Limited, Donnington, Telford, Shropshire TF2 8JZ.



## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Bache \$5.7m stock deals to resist proxy threat

BY JOHN WYLES

BACHE GROUP, one of Wall Street's top five brokerage houses, has spent \$5.7m on a purchase of 8 per cent of its common stock to remove the threat of a takeover bid.

The company disclosed yesterday that it had paid a premium of more than \$2 a share over the market price in order to buy in the 560,000 shares. The company claimed that the holders of the stock had indicated that they might launch a proxy fight for control.

In two separate purchases, Bache said, it bought 489,300 shares for \$10.25 a share from a group of mid-Western metals dealers and a block of 70,700 at the same price from clients represented by Gerald Tsai who has been described by the Wall Street Journal as "one of Wall Street's more flamboyant money managers."

All of these stockholders were allegedly critical of Bache's management, which has been struggling to improve the com-

pany's profitability for some time. The company's profit margins and return on net worth have been among the lowest of New York Stock Exchange member firms for some time.

Bache said yesterday that the purchase of the shares had been "in the best interests of the company." It added that rumours of a takeover "weren't doing us any good," and it was worried that the uncertainty could cause the departure of a number of its securities salesmen.

NEW YORK, June 20.

## Another acquisition for Carter Hawley

By Our Own Correspondent

NEW YORK, June 20.

CARTER HAWLEY Hale Stores, appetite for acquisition was not apparently been satisfied by the recent purchase of Philadelphia's John Wanamaker. The Los Angeles company announced today that it had reached an agreement to merge with Thalmer Brothers, which operates 28 retail department stores in Virginia and North Carolina.

The merger will be effected by the issue of 3,770 Carter Hawley shares to Thalmer stockholders on a 0.975 to one distribution. With Carter Hawley shares trading at around \$18½ today, this would value Thalmer at some \$70m.

Having already spent more than \$40m in cash and stock in acquiring Wanamaker, Carter Hawley has by no means drawn fully on the lines of debt it had behind the \$380m bid for Chicago's Marshall Field, which fell through in February.

## Chrysler lifts stock issue

By Our Own Correspondent

NEW YORK, June 20.

CHRYSLER Corporation has taken advantage of strong retail demand to increase the value of its proposed preferred stock issue from \$150m to \$250m.

The issue, underwritten by a group led by Merrill Lynch and First Boston Corporation, will go on sale tomorrow at a price of \$25 to yield 11 per cent. This high yield reflects not only the general weakness of the securities market, but also the price which Chrysler has to pay to ensure a market for its issue at a time when its financial and marketing problems are constantly in the news.

Stepping up the issue from \$150m to \$250m preferred shares means that the company will be selling half of the total preferred debt recently authorised by its annual meeting.

## Petro-Canada pressing on with bid for Husky Oil

BY ROBERT GIBBENS

THE NATIONAL oil company of Canada, Petro-Canada, plans to continue its C\$82 per share bid for all 11m shares of Husky Oil, assuming that many shareholders will prefer cash rather than the rival share exchange package from Occidental Petroleum Corporation of Los Angeles.

Petro-Canada's strategy appears to aim at bypassing the Husky Board, which has already recommended the Occidental offer, worth about US\$484m.

Petro-Canada is now preparing a prospectus for its bid and says

that this will be sent to all Husky shareholders within the next 10 days.

The prospectus will stress the "uncomplicated" nature of the offer and also the aspect of Canadian control.

The company is still confident that its cash offer will prevail.

In Ottawa, Occidental officials suggested that the American company would be willing to pay up all the money needed to accelerate development of the oil development, including up-gradings plant, would be over C\$1bn.

MONTREAL, June 20.

its bid for Husky wins. However, this assumes that Governments would provide a very favourable tax and royalty regime.

Occidental still says that it prefer its original suggestion that the heavy oil development would be handled one-third by Petro-Canada, one-third by Alberta and Saskatchewan Governments jointly, and one-third by Occidental and Husky.

The capital cost of heavy oil development, including up-gradings plant, would be over C\$1bn.

## Kennecott directors chosen in proxy fight

NEW YORK, June 20.

KENNECOTT Copper Corporation's chairman, Mr. Frank Milliken, said that the 17 incumbent directors of the firm were elected at the May 2 annual meeting following a proxy fight in which they were challenged by a list of 17 nominees proposed by Curtis-Wright Corporation. The announcement followed receipt of the final report on voting at the meeting on May 2.

AP-DJ

## Uniroyal disposal

Uniroyal, the tyres and chemicals group, has agreed in principle to sell the assets of its Royal golf business, including its gold trademarks, to the Royal Golf Corporation, a newly-formed subsidiary of the Flint Manufacturing Company of Flint, Michigan. The purchase price was not disclosed, agencies report from New York. Uniroyal makes and distributes golf balls, clubs, and golf equipment and clothing under the Royal and Royal-Dale trademarks. The terms of the agreement call for the purchaser to lease Uniroyal's golf manufacturing plant in Farmville, Virginia. Uniroyal last week agreed the sale of its U.S. footwear business.

## Philip Morris purchase

Philip Morris, the leading U.S. tobacco and beer group, has now acquired all the 107m outstanding shares of Seven-Up, the third largest U.S. soft drinks producer, agencies report from New York. The terms of the offer—\$48 a share, worth a total of \$514m—were agreed by the companies last month.

## 20th Century Fox sale

Twentieth Century Fox Film Corporation has agreed the sale of a block of studio property in Los Angeles to Ring Brothers, a unit of Monogram Industries, reports AP-DJ from Beverly Hills. The sale price is some \$35m.

## Ohio Edison result

Ohio Edison announced net earnings for the 13 months to May 31 of \$1.67 a share, against \$2.08 previously. Total net was \$80.3m, against \$86.8m reports AP-DJ. Revenues of \$331.5m compared with \$306m last time.

## Criticism for accounting rule

BY STEWART FLEMING

NEW YORK, June 20.

MOUNTING PRESSURE for a reform of the controversial Financial Accounting Standards Board Rule for handling foreign exchange transaction reporting is reflected in a Conference Board survey of financial officers at 117 major U.S. corporations.

More than half of the executives surveyed favoured repeal of the FASB 8 Standard. Almost one-quarter want to see it modified, and only 17 were in favour of retaining it in its present form.

The rule requires companies to report at quarterly intervals the

effect of foreign currency fluctuations not only on actual transactions but also on balance sheet items such as debt.

It has resulted in wide quarterly swings in earnings for some companies. Although the reports make it clear what has caused these fluctuations, businessmen complain that they are confusing to shareholders and investment analysts.

U.S. Treasury officials have recently begun an inquiry into the effect of the Rule in order to see whether it may be having some impact on the performance of

the dollar on foreign exchange markets.

Among the most frequent criticisms found in the survey are claims that the Rule leads to uneconomic changes in financing methods and leads businesses to adopt financial and operating procedures which they would not adopt on purely business considerations.

The FASB is expecting to receive many complaints on the Rule following a decision to ask for comments on how it, and other accounting standards, it has put into effect, are working.

## Union Carbide EURO BONDS to expand in Europe

By Sue Cameron

MR. WILLIAM SNEATH, chairman of Union Carbide, the U.S.-based chemicals giant, has given assurances that, following the sale of two of its European subsidiaries to British Petroleum, it will continue to give full support to its other businesses in Europe.

Mr. Sneath pointed out that Union Carbide was planning an expansion programme in Europe which would include new industrial gas plants in Germany and France, a new graphite electrode plant and a food casings plant in France and an extension of battery production in Switzerland.

## ASICS coupon cut

BY FRANCIS GHILES

THE market was steady yesterday both in the dollar and in the Deutsche-Mark sectors. In the dollar sector, the coupon on the ASICS convertible was cut to 8½ per cent and the issue priced at par. The conversion price was set at ¥635, a 5.7 per cent increase on the closing price of the issue on the Tokyo Stock Exchange. The exchange rate will be ¥216 for \$1. The Hydro Quebec issue was priced at 99½.

In the Deutsche-Mark sector, the terms of the first issue since the new issuing market was

reopened were announced. The coupon on the DM 100m eight-year issue for the City of Kobe is indicated at 8½ per cent and the price around 99½. Lead manager is Deutsche Bank.

In the Guilder sector, a ¥100m 15-year issue for the European Coal and Steel Community with an indicated coupon of 7½ per cent was announced. Joint lead managers are Algemeene Bank Nederland and Amsterdamsche Bank. The average life of these bonds is 10½ years.

## C\$1bn. Canadian bonds issue

BY VICTOR MACKIE

OTTAWA, June 20.

THE Canadian Government is to raise C\$800m of new money through the sale of C\$1bn of new bonds. Finance Minister Jean Chretien states that the remaining C\$700m will be used to repay earlier bonds that mature July 1.

The Bank of Canada will take at least C\$400m of the new bonds, leaving up to C\$600m for public investors. The Central Bank holds C\$383m of the maturing Government bonds.

The three-part offering will consist of: 1—8.75 per cent bonds due June 1, 1981, at a price of 99.90 per cent to yield about

8.75 per cent to maturity; 2—8.75 per cent bonds due May 15, 1983, at a price of 99.25 per cent to yield about 8.94 per cent to maturity; and 3—9.5 per cent bonds due October 1, 2001, at a price of 99.50 per cent to yield about 9.55 per cent to maturity.

The 9½ per cent bonds will be issued in a maximum amount of C\$450m and will be eligible, beginning July 1, 1978, for purchase by the Government of Canada and for general purpose of the Federal Government, said Mr. Chretien.

The new 1981 bonds are in addition to C\$775m of similar securities that were issued earlier. The new 1983 bonds will increase the outstanding amount of similar securities from C\$275m.

In the long term maturity, the new bonds will be in addition to C\$1.7bn of similar bonds issued earlier.

## Commercial paper growth predicted

BY OUR FINANCIAL STAFF

SALES OF commercial paper by U.S. companies could continue to grow at a record pace until the end of the present decade, at the expense of commercial banks, according to Mr. Theodore H. Silbert, the chairman of Standard Prudential Corporation and Trust of New York. He predicted in London that the UK and Europe might develop a similar pattern in the coming years, posing an additional competitive threat to the commercial banking system in the UK and European community.

In December, 1977, total commercial paper in the U.S. rose to \$2.4bn to a seasonally adjusted record \$85.1bn. For all of 1977, total paper increased by \$12.1bn from the \$53.0bn outstanding at the end of 1976.

Although a minor factor in UK financing today, commercial paper in the U.S. has proved to be a successful method of providing financial and industrial firms with short-term funds.

Commercial paper is issued primarily to finance seasonal working capital needs in lieu of bank borrowings and, because of these promissory notes are, at a cost of loans by 25 per cent.

secured—bearing only the name of the issuer—the seller's market is dominated by companies with good reputations.

Only some 500 to 1,000 of the leading U.S. corporations offer their commercial paper for sale.

The principal advantage of commercial paper to the issuer is lower cost. Even after broker commission charges, administrative expenses and interest, the total cost is generally below the prime rate on bank loans. U.S. banks usually require 20 per cent compensating balances which increase the "real" interest cost of loans by 25 per cent.

EXCERPTS FROM THE 1977 ANNUAL REPORT

GROUPE BRUXELLES LAMBERT S.A.  
GROEP BRUSSEL LAMBERT N.V.

1977 was a year of major organisational realignments within our group. The integration programme we initiated several years ago reached an essential stage and culminated in the formation of a broadly based group organised into three companies, Banque Bruxelles Lambert, the banking services arm, Compagnie Bruxelles Lambert, the financial services arm, and Groupe Bruxelles Lambert, the holding company controlling the two operating units.

Recapping the main developments in this integration process takes us back to 1972 when the holding companies Brufina, Cotinindus and Cotinter were merged with Compagnie Lambert pour l'Industrie et la Finance and redesignated Compagnie Bruxelles Lambert pour la Finance et l'Industrie. Subsequently to the merger, investments of the new company included a 100 per cent interest in Banque Lambert and a 9.7 per cent interest in Banque de Bruxelles.

Then, in June 1975 Banque de Bruxelles purchased Banque Lambert and the two banks joined forces under the new corporate style of Banque Bruxelles Lambert.

The next stage was started in May 1977 when Banque Bruxelles Lambert raised its capital stock by BF 3 billion through an offering of 2 million shares of common stock priced at BF 1,500 each and reserved exclusively to Compagnie Bruxelles Lambert pour la Finance et l'Industrie. As a result, this company's stake in the Bank rose from 9.7 to 44 per cent.

## Summarized Financial Highlights

## Preliminary Remark

Because substantial structural changes took effect during the past fiscal year and balance sheet dates of all subsidiaries and affiliates did not yet coincide, we have been unable to present our consolidated financial statements as at December 31, 1977 in accordance with the accounting chart prescribed by the Royal Decree of November 29, 1977 setting out the financial reporting requirements for holding companies.

From now on Groupe Bruxelles Lambert, Compagnie Bruxelles Lambert, Bruxelles Lambert-Simurbel and Banque Bruxelles Lambert will close their fiscal years on September 30 and for the first time on September 30, 1978. As a result, the next accounting period of our company will cover only nine months.

Yet as we wished to sketch an outline of our group, we prepared a consolidated financial statement showing both estimated and assigned values of assets and liabilities as at September 30, 1977.

For the reasons explained above we did not prepare a consolidated income statement but we felt it would be appropriate to disclose our earnings forecasts.

Our conservative expectation is that the profit before depreciation will exceed BF 3 billion and the net profit BF 1.5 billion more than half of which is attributable to Groupe Bruxelles Lambert. Per share equivalents are BF 400 and 200 respectively.

## Asset Position

The asset position computed in accordance with our usual standards applied on a consistent basis, shows the estimated value of the various asset categories of the group.

Estimates for listed securities are based on stock market values as at September 30, 1977 and those for unlisted securities on such traditional criteria as net asset value, discounted cash flow, discounted earnings, discounted dividend, latest transaction price etc. Assets thus valued showed an appreciation of BF 2,210.9 million over book values. Total appreciation bore down into BF 1,049.9 million for real estate assets, BF 3,753.7 million for investments and marketable securities, and BF 1,015.4 million for government securities (valued at market prices).

Current liabilities accounted for 3.3 per cent of gross assets, while long and medium-term liabilities accounted for 14.9 per cent. Capital invested was 81.7 per cent of gross assets, as against 64.5 per cent at the end of 1976, whereas stockholders' equity was 76.5 per cent, compared with 67.4 per cent.

The breakdown per area is shown below:

Europe 81% of which Belgium and Luxembourg 83%  
America 19%  
Africa 1%  
Total 100%

## Group assets broke down as follows:

Banks (Banque Bruxelles Lambert consolidated)	46%	39%
Investments	10%	39%
Radio and TV broadcasting	5%	5%
Insurance, financial companies	5%	5%
Food	4%	4%
Oil	4%	4%
Steel, nonferrous metals, metalworking	3%	3%
Belgium, Luxembourg, France	1%	1%
Greece	1%	1%
Public utilities, engineering, consultant engineering	3%	3%
Real estate abroad	2%	2%
Commercial companies	2%	2%
Retailing	1%	1%
Beverages	1%	1%
Other industries	2%	2%
Real estate assets	9%	9%
Corporate premises	3%	3%
Miscellaneous assets	3%	3%
Total	100%	100%

## Statement of Asset Position

	million BF	in %
September 30, 1977		
Investments carried at equity in net assets	3,260.3	10.8
Other investments	10,560.6	34.9
	13,820.9	45.7
Real estate assets	2,597.6	8.6
Corporate premises, furniture and equipment	9,286.6	30.7
Other assets		
• miscellaneous assets	353.7	1.1
• debtors	689.3	2.3
• cash and equivalent	58.1	0.2
	1,099.1	3.6
Net current banking assets	3,443.9	11.4
Gross Assets	30,248.1	100%
Current liabilities	2,505.2	8.3
Capital invested	27,742.9	91.7
Medium and long-term liabilities	4,522.1	14.9
Stockholders' Equity	23,220.8	76.5
Attributable to Groupe Bruxelles Lambert	12,386.5	
Attributable to minority interests	10,834.3	

Due to the absorption of Compagnie Auxiliaire Internationale de Chemins de Fer, the structure of gross assets is to be thoroughly modified by the introduction of substantial railway assets under lease.

Bank. Ultimately, this subsidiary is to be controlled by the banking services and the financial services arm proportionately to their respective occupancy rates in the building. So far, this transaction was not completed.

Lastly, in August 1977 Compagnie Bruxelles Lambert pour la Finance et l'Industrie transferred all its assets and liabilities to two virtually fully-owned subsidiaries: Investments in Banque Bruxelles Lambert were brought into Bruxelles Lambert-Simurbel together with a liability of SW F 80 million, while all other assets and liabilities were brought into Immobilier d'Egmont.

Immobilier d'Egmont then changed its name into Compagnie Bruxelles Lambert and continued operations previously conducted by Compagnie Bruxelles Lambert pour la Finance et l'Industrie.

Compagnie Bruxelles Lambert pour la Finance et l'Industrie, for its part, was shaped from an operating into a holding company and redesignated Groupe Bruxelles Lambert SA, thus changing its corporate name as well as its corporate profile.

With these steps now behind us, we believe we have achieved the goal we had been striving for since several years, namely to set up a large integrated unit capable of providing a broad array of services, both domestically and internationally, and featured primarily by the interlocking strength of its components.

## Break-up Value

At the end of September 1977 net assets of the group were valued at BF 23,221 million, compared to BF 13,307 million at the end of 1976. Net assets attributable to the group totalled BF 12,387 million as against BF 11,206 million at the end of 1976.

The break-up value per share thus emerged at BF 3,021, goodwill excluded, up 18.2 per cent from its level at the end of 1976, the pre-tax dividend of BF 1375 deducted.

Break-up value at the end of last year was estimated to have reached approximately BF 4,000.

## Largest Participations of Compagnie Bruxelles Lambert S.A.

The largest participations of Compagnie Bruxelles Lambert which accounted for nearly 83 per cent of total estimated value of consolidated investments were:

	million BF
Attributable to the Company:	
Compagnie Luxembourgeoise de Télédiffusion	1,413
Petrolina	1,240
Electrobel	640
L'Urbaine U.A.P.	605
Financière du Rusu	580*
Industrial participations held by Compagnie Industrielle et Financière des Produits Amylacés "C.I.P."	578
Real estate participations held by the Lambert Brussels Real Estate Corporation	381
G.B. - Inno - B.M.	270
Drexel Burnham Lambert Group Inc.	251
Keystone Resources Inc.	218*
Groupe Vichaleo	186
Dallaige Frères et Cie "Le Lion"	132
Cocktail	125*
Locabel-Fininvest	122*
Société Immobilière et de Construction d'Avenir "SICA"	121
Dewey, Seblie, Senvas, Van Camperhout et Cie S.G.S.	117*
Artemis	115*
Compagnie Chimique et Métallurgique de la Campine	110
Other participations	2,062
Attributable to minority interests	2,469*
	11,746*

\*carried at equity in net assets

## Dividend

Net dividend of BF 90 on the 4 million shares outstanding. This implies utilization of part of the carryforward we had provided for with a view to the structural changes. Due to these changes and to the poor economic environment, the dividend is lower than the previous year's.

هكنا من النحل







## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## Car industry commitment pays off for Nippon Seiko

BY YOKO SHIBATA

NIPPON SEIKO (NSK) has reported sharply increased profits for the fiscal year to April—in contrast with other Japanese bearings makers, and despite adverse factors such as dumping charges by the EEC and the higher yen exchange rate.

NSK's current profits rose by 78.8 per cent to ¥2,070bn (\$10m), and its net profits also increased substantially by 52 per cent, on sales down 1.6 per cent to ¥123.6bn (\$690m).

According to the company, the buoyant earnings resulted from its heavy commitment to the automobile industry, which fared very well during the year. Sales of NSK's automotive bearings, accounting for 45 per cent of the total, rose by 5 per cent from the previous year's level. The company also undertook rationalisation measures earlier than

other manufacturers, and this enhanced its profits performance. During the year, NSK's exports of ball bearings fell appreciably, but this was offset by the company's three overseas production units. As a result, overseas sales maintained their share of the total at the same level as the previous year—15 per cent.

NSK's three overseas manufacturing plants, in the U.S., the UK and Brazil, are at present working at or near full capacity with monthly bearings production of 1.35m, 1.2m, and 1.2m respectively. In particular, NSK Europe (UK) which started operation in April, 1976, is now close to its full capacity of 1.3m bearings per month.

In the light of recent trade problems concerning exports of ball bearings and the current higher yen exchange rate, NSK's relatively low export ratio (at 15 per cent) and its expansion of

overseas production were a positive advantage for the company. In addition, ball bearing sales to the industries related to public works, such as power shovels and trucks, have also stated to pick up since last year. For the current fiscal year, ending April, 1979, the company expects revenue and profits to match last year's level.

Olympus Optical, the Japanese manufacturer of industrial cameras and optical instruments, raised its after-tax profit by 1 per cent in the first-half of its financial year, to ¥1,930bn (\$9.2m), from ¥1,910bn in the same period of the previous year, our Financial Staff writes. Sales in the six months to April 30 increased by 7 per cent to ¥32,540bn (\$155m), from ¥30,410bn. The interim dividend is unchanged, at ¥3.75.

## BHP stages late rally in steel production

By James Forth

SYDNEY, June 20.

AUSTRALIA'S largest industrial company and sole steel-maker, Broken Hill Proprietary, staged a late rally in production of steel for the year to May 31. In the final month of the year, BHP raised steel output to 704,000 tonnes, which was 8.4 per cent higher than the same month last year, and 23 per cent above the April performance, when output was affected by strikes.

The late rally in production was due to a slight improvement in demand in the domestic market, although the market for steel both domestically and overseas is still depressed. The group's production of steel for the full year was 7.4m tonnes, or 104,000 tonnes less than in 1976-77.

The latest year's steel output is still the lowest since 1972-73 and is about 575,000 tonnes down on the 1974-75 peak. BHP has reported losses of more than \$450m (US\$57m) from its steel division for the past two years. In the first half of 1977-78, a further loss of \$435.05m was reported, although group earnings rose 5.7 per cent to \$438.7m.

The group's production of iron ore dipped 10.6 per cent for the latest year, while manganese output fell 30.3 per cent, also reflecting the depressed world steel market.

## Hoyts enters pinball field

By Our Own Correspondent

SYDNEY, June 20.

HOYTS THEATRES, the cinema chain controlled by Twentieth Century-Fox of the U.S., has diversified into the pinball machine field. The directors of Hoyts today announced that the company had acquired control of Goddard Industries, which manufactures pinball machines, and would extend an offer to all shareholders. Hoyts previously held 3.5 per cent of Goddard's capital, and has bought the 48 per cent shareholding of Goddard Investments Pty., the family company of Goddard Industries' chairman and managing director, Mr. Howard Goddard.

If the bid succeeds, Mr. Goddard has agreed to enter a service agreement to continue as managing director. Hoyts is offering \$81.30 cash for each Goddard share, which values the company at \$82.3m.

## PYRAMIDS OASIS PROJECT

## SPP to seek compensation terms

BY ANTHONY McDERMOTT IN LONDON AND ROGER MATTHEWS IN CAIRO

SOUTHERN PACIFIC Properties sent a management team to Cairo yesterday. The team's task is to open negotiations on compensation for a \$800m joint venture with the Egyptian Government. The project, to develop the country's largest tourist complex two miles from the Pyramids, was abruptly cancelled by President Sadat three weeks ago.

The negotiations for the compensation of some \$5.6m spent by the company are likely to be protracted. The Pyramids Oasis project has become a highly political issue which opponents of President Sadat have been skillfully using as a means of criticising his more liberal economic policies, aimed at encouraging investment both by the private sector and foreign investors.

Southern Pacific Properties (Middle East), a subsidiary of the Hong Kong-based company SPP, set up a company with the Egyptian General Organisation for Tourism and Hotels (EGOTHE), called the Egyptian Tourist Development Company (ETDC). SPP (ME) has a 40 per cent stake in ETDC, and EGOTHE 40 per cent, provided not in finance but in land for the 10,000 acres for the project.

The project had become a political stick with which to beat Mr. Sadat, and an indication of the curious way in which it was handled by the Egyptian Government is that not long before the cancellation President Sadat was endorsing its continuation in a major speech. The cancellation was effectively in response to a major political campaign aimed at suggesting that SPP was exploiting Egypt's national heritage, destroying antiquities, corrupt, and not fulfilling its con-

tractual obligations—and by implication a by-product of Mr. Sadat's policies.

SPP, however, is convincing in its refutation of these accusations. The capitalisation of ETDC was agreed by the Government—initially at \$3.4m, rising eventually to \$17m. Up to the cancellation SPP had paid its equity participation—consisting at present of \$1.3m in equity, \$1.65m on loan and \$550,000 on current account owed to SPP by ETDC—on or ahead of the time scheduled for instalments. SPP had set aside for the current year the sum of \$50,000 (some \$90,000) for archaeological research in the event of discoveries. SPP maintains that as for the site itself is concerned, items of the detailed plan were three to four months behind schedule because the Government had not provided promised connections of roads, water and power, as in the contract between ETDC and the main contractors, Arab Contractors, but that operations were still within the agreed terms of the broader contract between ETDC and the Egyptian Government. It rejects categorically accusations of corruption.

As a result, serious concern is being expressed over the fate of ETDC. Company executives claim that since the cancellation there had been no formal contact with the authorities and no approach made to them about what Mr. Mamdouh Salem, the Prime Minister, described as "safeguarding the interests of shareholders and investors". The Pyramids Oasis was to have been the prime example of what foreign capital and expertise could do for Egypt's undeveloped tourist potential. The site is now deserted; all work has been abandoned, and

the bank accounts of ETDC have been frozen. "We are down to a petty cash float of less than \$5,000 and there is a staff of over 100 to pay at the end of the month," said a company executive.

However, the wages bill of \$6,000 is in arrears. The project, which was more than \$250,000 in the bank, is currently lying on the docksides. ETDC is also anxious about the equipment that it has ordered for the project. Equipment worth more than \$250,000 is currently lying on the docksides. ETDC is also anxious about the equipment that it has ordered for the project.

"We have no money to begin sorting out this sort of a problem. Unless the assets of the company are released, we cannot begin working for the benefit of the shareholders and investors," the company said. There are considerable doubts, cast on the Government's manner of cancelling the project. Under Article Seven of Law No. 177, which governs foreign investments, it is clearly stated that "projects may not be nationalised or confiscated". The assets of such projects cannot be seized without the consent of the judicial authorities. The company said it would be interested to know when the judicial procedures were carried out.

Meanwhile, legal actions have been started against the company in several Cairo courts.

## Triad to proceed with bid

BY ANTHONY ROWLEY

HONG KONG, June 20.

TRIAD HOLDINGS in London is expected to proceed with its plan to take over Southern Pacific Properties, the Hong Kong-based company which is developing the Pyramids Oasis project in Egypt in which SPP was heavily involved. SPP has been informed that Triad will proceed with an offer to take over SPP, in which Triad

is already the largest shareholder, provided a satisfactory basis can be agreed. A further announcement is expected next month. Meanwhile, SPP has requested Hong Kong's stock exchanges to continue the temporary suspension of dealing in the company's shares, pending the outcome of the takeover talks.

## OK Bazaars outlook optimistic

BY RICHARD ROLFE

JOHANNESBURG, June 20.

MR. R. J. GOSS, chairman of OK Bazaars, says in his statement with the report and accounts for the year ended March 31, that the group "expects to achieve a level of earnings in excess of the past year's performance" over 1977-78. If the forecast is achieved, it will mark the end of a phase of static or declining earnings. The only caveat is that introduction of the 4 per cent general sales tax in July may affect consumer spending, though a clearer picture will be available with OK Bazaars' interim statement.

The group is the largest retailer in South Africa, with total assets of R255m, sales last year of R341m (\$615m), and 142 branches, down from 182 five years ago. The bulk of sales (61 per cent) are in food, health and cosmetics, with clothing and textiles accounting for 13 per cent and furniture and consumer durables the balance. Earnings per share were unchanged at 107 cents for the year, against 113 cents in 1976-77.

The group was acquired in 1973 by SA Breweries, which holds 70 per cent of the shares.

OK Bazaars has held its market share, with sales rising 6 per cent last year against a national retail sales increase of only 4 per cent, which signalled a decline in real terms of about 6 per cent. But OK Bazaars' earnings on equity capital have fallen and were 9.1 per cent last year. Liquidity remains fair, with the rise in stocks contained to 7 per cent despite heavy initial requirements for the group's Natal "Hyperama" store.

The group now has two "hyperamas" and the report records that the one in Natal is trading below breakeven. The long-standing "hyperama" near Johannesburg was "disappointing," with a poor merchandise mix and an unsatisfactory shrinkage level. But the chairman hopes these ventures, which have attracted for much of OK Bazaars' recent investment, will improve profitability.

Against expenditure of R33m last year, capital commitments are down to R45m. But cash flow was R15m last year, suggesting that funds may be available to reduce short-term borrowings, up from R9m to R17m at the year-end. The market takes a greatly more confident view of OK Bazaars' prospects. Compared with their 1978 low of 530 cents, the shares are now 760 cents, up 30 cents on the report and now yielding 7.6 per cent on last year's 68 cent dividend.

## Half-year advance at Fugit

BY OUR OWN CORRESPONDENT

JOHANNESBURG, June 20.

THE MAIN quoted South African investment trust, First Union General Investment Trust (Fugit), which is now a subsidiary of Liberty Life, and hence of Guardian Royal Assurance, has reported a slight increase from R2.3m to R2.5m in its net profit after taxation for the six months to June 30, mainly reflecting increased dividend receipts over the period. Adjusting for the preference dividend, earnings on the 82.1m shares in issue have risen from 3.64c to 3.98c.

Fugit, managed for many years by Union Acceptances and

now under the control of Liberty Life, paid a total dividend of 5.75c in its year to June 30, 1977 and a special dividend of 3c in the six months to December 31. Its financial year has now been changed to December 31, so for practical purposes the 3c declared with the latest figures is an interim and the Board forecasts not less than 8c for the full year. The shares, at 80c therefore yield a prospective 7 per cent. Net worth was 86c on June 13 and, after the stock market's strength since then, should, by now, be over 100c.

Against expenditure of R33m last year, capital commitments are down to R45m. But cash flow was R15m last year, suggesting that funds may be available to reduce short-term borrowings, up from R9m to R17m at the year-end. The market takes a greatly more confident view of OK Bazaars' prospects. Compared with their 1978 low of 530 cents, the shares are now 760 cents, up 30 cents on the report and now yielding 7.6 per cent on last year's 68 cent dividend.

## IBM to pull out of Nigeria

BY JEREMY MORGAN

IBM is to pull out of Nigeria, rather than concede to demands by the Lagos Government that Nigerian nationals should hold a 40 per cent stake in the company's Nigerian interests. An IBM spokesman in London said that the Nigerian Government had refused to grant the company an exemption from the Nigerian Enterprise Promotion decree under which foreign companies are obliged to sell a percentage of their interests to Nigerians.

Nigeria will be the third country from which IBM has withdrawn rather than surrender all or part of its holdings to nationals of other countries. In November last year the

company announced that it would withdraw its interests from India within six months rather than relinquish 80 per cent of its business ownership there. IBM also pulled out of Indonesia because of problems with the country's nationalisation programme. It is thought that IBM will leave a locally owned agency to maintain its business there. "It is our intention to transfer the business activities" of IBM in Nigeria to another Nigerian company to provide continuity of maintenance and marketing services and, we hope, employment opportunities for a number of our employees.

At present IBM employs 140 people in Nigeria and although details of the new Nigerian owned company are not clear the equity will be 100 per cent Nigerian.

The Nigerian Enterprise Promotion decree came into force in 1972, and was revised last year. It divides businesses into three categories, defining how much of their local operations should be given over to Nigerian ownership. The categories are: categories that should be exclusively Nigerian, those where a Nigerian holding should amount to 80 per cent or more; and those where Nigerians should own at least 40 per cent. IBM was in the third, least stringent of these categories.

## Africans opt for sterling

By Mary Campbell

BLACK AFRICAN countries hold bigger sterling deposits with banks in the UK than they do deposits in other currencies, according to new data released by the Bank of England. The non-oil less developed countries (LDCs) generally have larger sterling deposits with banks in the UK than do the oil producing (OPEC) countries.

The figures emerge in the latest issue of the Bank of England's Quarterly Bulletin, a part of a survey of the maturity of lending to individual countries by banks in the UK.

Altogether, entities in less developed and semi-industrial countries held \$6.2bn worth of sterling denominated deposits with banks in the UK at the end of last year. OPEC countries account for \$2.2bn worth of non-oil developing countries for \$2.5bn worth. Black Africa countries account for \$1bn of the latter figure. These countries together with the category embracing Australia, New Zealand and South Africa, are the only groups of countries which have larger sterling deposits with banks in the UK than deposits in other currencies.

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RoyWest Banking Corporation Ltd.

Kuwait International Investment Co. s. a. k.

Morgan Grenfell &amp; Co. Limited

Banco de Vizcaya S. A.

Interamerican Bank Corporation S. A. Panama, Nassau Office

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(Grupo Banco Latino, Venezuela)

Sociedad Financiera del Centro C. A.

(Grupo Banco del Centro Consolidado, Venezuela)

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## Mars Holdings Bhd. shares de-listed

The Stock Exchange of Singapore has de-listed Mars Holdings BHD for non-compliance with the Exchange's listing requirements. It gave no further details, but warned last month that Mars Holdings faced de-listing, for failing to submit the annual reports and accounts for 1976 and 1977.

Mars Holdings, formerly Sunnei Tukang Rubber Company BHD, has been under suspension since April last year for non-com-

pliance with the exchange's listing requirements. Last month it told the Exchange that its shareholders had approved a name change to ST. Holdings from Mars Holdings. Reuters

Malayan Breweries has disclosed that its shareholding in the leading New Zealand brewery, Lion Breweries, is now 6.5m shares, stock market.

SINGAPORE, June 20.  
equivalent to 9.6 per cent of Lion's issued capital, writes H. F. Lee from Singapore.

Its stake in the other major New Zealand brewery, Dominion Breweries, is now 1.63m shares or 2.7 per cent of the issued capital. Malayan Breweries' disclosure follows recent reports of the company's acquisitions of sizeable blocks of shares in the two breweries in the New Zealand stock market.

U.S. \$150,000,000

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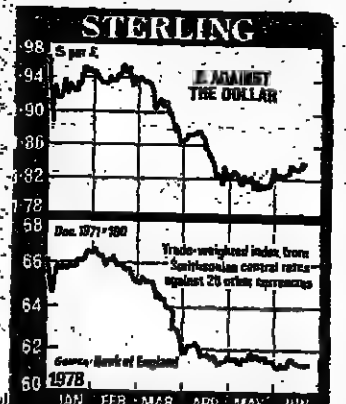
هكزامن النجرل



## Currency, Money and Gold Markets

## Yen reaches post-war high

The Japanese yen continued to trade at a post-war high in the foreign exchange market yesterday, as the Bank of Japan intervened several times, but this was probably only to test the strength of the yen, rather than an active attempt to arrest its rise. The yen was not changed from Monday, but it was estimated that the central bank bought about \$5.10m at the 215 level in the morning, and about \$5.10m at the 215 level in the afternoon, and about \$5.10m at the 215 level in the evening.



London's \$37.7 per cent and yesterday's calculation jumping to 31.1 per cent. On a similar basis, the dollar's depreciation widened to 8.4 per cent from 8.1 per cent. Against major European currencies, the dollar traded very well in the foreign exchange market. The dollar's depreciation widened to 8.4 per cent from 8.1 per cent. Against major European currencies, the dollar traded very well in the foreign exchange market.

## EXCHANGE CROSS-RATES

June 20	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canadian Dollar	Belgian Franc
London	1.0000	1.9400	3.3600	368.50	6.5500	2.0000	3.7600	1936.00	0.7000	40.3300
Frankfurt	0.5480	1.0000	1.9360	211.10	1.0000	0.5000	0.9100	483.35	0.3333	16.6700
Paris	0.1550	0.3000	0.5900	64.50	1.0000	0.1667	0.2930	150.00	0.0769	4.0000
Geneva	0.1550	0.3000	0.5900	64.50	1.0000	0.1667	0.2930	150.00	0.0769	4.0000
Amsterdam	0.2630	0.5100	0.9500	103.50	1.7300	0.5000	1.0000	533.60	0.3704	20.3700
Rome	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Stockholm	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Oslo	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Copenhagen	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Helsinki	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Tokyo	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Singapore	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Bombay	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Calcutta	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Rangoon	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Colombo	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Madras	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Batavia	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sourabaya	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Manila	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Cebu	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Yokohama	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Kobe	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Osaka	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Kyoto	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Nagasaki	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Fukuoka	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sapporo	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Hiroshima	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sendai	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Utsunomiya	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Maebashi	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Utsunomiya	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Maebashi	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Utsunomiya	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Maebashi	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

## EURO-CURRENCY INTEREST RATES\*

June 20	sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Austrian Sch.	Japanese Yen
short term	114.134	74.44	74.74	44.44	74.11	54.44	104.104	9.18	74.7	244.44
1 days notice	114.12	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44
114.12	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
3 months	114.12	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44
6 months	114.12	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44
12 months	114.12	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44
124.124	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
124.124	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
124.124	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
124.124	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
124.124	74.44	74.74	44.44	74.11	54.44	104.104	124.124	74.7	244.44	
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The following nominal rates were quoted for London dollar certificates of deposit: One month 8.50-9.00 per cent; three months 9.50-10.00 per cent; six months 10.50-11.00 per cent; one year 11.50-12.00 per cent. \* Rates are nominal. Long-term Eurodollar deposits: Two years 11.50-12.00 per cent; three years 12.50-13.00 per cent; four years 13.50-14.00 per cent; five years 14.50-15.00 per cent. \* Rates are nominal. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

## INTERNATIONAL MONEY MARKET

## New York rates higher

New York interest rates showed a firm tendency with 12-week Treasury bills quoted at 11.50 per cent, down from 11.75 per cent at Monday's auction. The rate for 26-week bills rose to 7.25 per cent from 7.00 per cent while one-year bills were 7.50 per cent compared with 7.25 per cent.

Federal funds remained stable at 7.4375 per cent. Certificates of deposit were slightly up at 7.75 per cent from 7.70 per cent for one-month; 7.90 per cent for two-month; 8.04 per cent for three-month.

Bankers' acceptance rates were: 7.70 per cent for 30 days; 7.75 per cent for 60 days; 7.80 per cent for 90 days; 7.85 per cent for 120 days; 7.90 per cent for 150 days; and 7.95 per cent for 180 days.

High-grade commercial paper was 7.55 per cent for 30 days; local corporate loan market under

7.70 per cent for 60 days; and 7.80 per cent for 90 days.

FRANKFURT: Net central currency reserves of the Bundesbank fell DM400m in the week to June 15 to DM 80.8bn. Other reserves

in assets showed little change at DM 1.7bn from DM 1.7bn on June 15.

Interbank money market rates rose to 3.55 per cent from 3.5 per cent for call money, while the longer periods remained unchanged.

BRUSSELS: Deposit rates for commercial banks were 2.4 per cent for call money; 3.4 per cent for one-month; 3.4 per cent for three-month; 3.4 per cent for six-month and 3.4 per cent for 12-month.

HONG KONG: Conditions in the money market were generally tight, with call and overnight money rates at 10 per cent and 12 per cent respectively. Offshore banks are removing the differential between onshore and offshore rates to allow more access to the local corporate loan market under

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## GOLD Further rise

Gold traded fairly actively in yesterday's London bullion market to close 514.10 once higher at \$188.10. After opening at \$185.10, the metal rose during the morning at \$186.50 and this improvement showed through to the afternoon fix at \$188.50. There was a generally good demand for gold particularly in

the U.S. where confidence remained high. The harder trend was further helped by the weakness of the U.S. dollar especially against the yen. Tuesday also saw gold sales, where the authorities are auctioning a total of 300,000 ounces.

It is probable that the new move will remove this competitive advantage by pushing up rates for short-term money, thus making it more attractive to hold gold and silver. These non full service banks have tended to enjoy a competitive advantage over the local prime rate for lending quoted by full service banks of about 7 per cent.

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# FARMING AND RAW MATERIALS

## Gundelach rules out ban on live animal trade

BY OUR OWN CORRESPONDENT

THE EEC Commission advised the British Government today that a ban on the export of live animals to the continent would violate Community rules on free trade.

But Mr. Finn Gundelach, Commissioner for Agriculture, said the Commission hoped to introduce a ban on the export of live animals to the continent in the future, to enforce measures for the prevention of cruelty to live animals transported for slaughter.

Dr. Gavin Strang, junior Agriculture Minister, said this did not go as far as recommendations made more than four years ago by the Council of Europe, which urged that trade in cars should replace trade in live animals.

The reports that France is insisting on any agricultural concessions made by the EEC in international trade negotiations must be matched by similar offers from other world exporters of farm products.

Mr. Gundelach said the Commission must not accept offers of concessions on industrial goods at the Multilateral Trade Negotiations now under way in Geneva.

M. Mehlhorn was replying to a report from Mr. Gundelach on the current state of the talks at today's EEC farm council.

Mr. Gundelach said the EEC would not change its present system of subsidies on Common Market farm exports, officials added.

The U.S. has complained that the subsidies which make up the difference between high EEC and low world market prices for most farm products, are damaging the U.S. farm industry.

Mr. Gundelach said safeguard clauses had to be included in international trade negotiations to protect domestic markets from harmful imports in any MTN accord because agriculture was a special case, the sources said.

America must also agree to stop charging countervailing import duties on its imports of farm products except where EEC export subsidies caused a direct loss to its farmers.

Mr. Gundelach also told the ministers that he was optimistic that the EEC would soon reach agreement with African, Caribbean and Pacific sugar exporters on the basis of its present mandate.

Negotiations resume in Brussels on June 22 at ambassador level on a new price for the 13m tonnes of raw sugar the EEC will import from ACP states in 1978-79.

The EEC has offered a 2 per cent rise but the ACP negotiators are demanding a 9 per cent increase to compensate them for higher production, transport and insurance costs.

LUXEMBOURG, June 20.

## Bigger U.S. soya area forecast

U.S. SOYABEAN planting this year should rise to between 60m and 64m acres, six to seven per cent above last year's 59m acres, Mr. Henry Grodz, first vice-president of the American Soybean Association, said.

Average yields should be 27 to 28 bushels per acre compared with last year's average of 25.6 bushels, he added.

There should be an adequate carryover this year, Mr. Grodz said, though it would be less than the latest U.S. Department of Agriculture forecast of 170m bushels. He put it in the 130m to 150m bushel range.

Plantings this year have been delayed past the optimum potential for yields by the weather, he said. But most growing areas have good moisture and the weather will offset the delay to some extent.

However, the late start could be offset by favourable weather in August causing yields to match or come close to last year's high levels.

## Cocoa price upsurge continues

LONDON COCOA futures prices were again boosted by the tight technical supply situation on the New York market yesterday.

After a hesitant morning London values moved up strongly in the afternoon following another firm New York opening and by the close September delivery cocoa was quoted at £1,785 a tonne, up £25.50 on the day.

Though producers are still holding out for higher prices most major manufacturers are remaining cool and some dealers expect the producers to moderate their price expectations soon.

With nearby futures having gained nearly £130 a tonne in less than a week, signs are emerging that the producers expect the market and some small quantities of Ivory Coast cocoa were reported to have been sold yesterday.

Ghana is still believed to have current crop cocoa available.

The price rise of the past week has not been aided by any significant fundamental news so most dealers are attributing it to fresh "chartist" buying and stop-loss buying orders.

The price rise in New York yesterday was helped by a spill-over buying from Monday when trading was prevented for much of the session following a permissible limit rise early in the day.

## SUDAN MEAT PROJECT

### Factory-farm sets targets

BY CHRISTOPHER PARKES

GUINNESS PEAT International is breaking new ground in meat ways than 200,000 with its 845m (225m) livestock farm-cum-meat factory in Sudan.

Sited within 20 km of the comprehensive transport system around Khartoum and close to the reliable Nile, the project will occupy about 15,000 acres of virgin land.

Irrigation channels which will eventually water more than two-thirds of the total area are now almost complete. The main canal stretches 30 km up the long, narrow farm. First crops are due to be planted during October.

While salvaging farmland from the wild is now a common enough exercise, transforming virgin territory at one fell swoop into a self-contained intensive crop and stock farm is almost unheard of. GPI expects the project to be in top gear within four years.

The planners say the land should produce up to 100,000 tonnes of feed a year from fields of alfalfa, sorghum and varieties of native grain. Under irrigation, two harvests of most crops should be possible each year.

These reserves of vegetable energy will be used to fatten cattle and sheep and slaughter in the project's own abattoir.

The beef and mutton will then be boned, vacuum packed and chilled ready for rapid delivery. Only 20 per cent of the farm's output will be eaten in Sudan. The bulk is to be flown to Middle East markets and elsewhere in Africa.

When fully stocked, Seleit is expected to convert 40,000 head of range-bred cattle a year into 5,400 tonnes of quality beef and produce 3,200 tonnes of mutton from a throughput of 140,000 head of sheep. Exports, it is hoped, will be worth \$30m a year.

While that prospect is still at least four years off, GPI claims that the unit will start earning some income by the end of this year. The first animals are due to go to slaughter in December. Any surplus feed from the first crops can be sold off, the managers claim.

There is no shortage of raw materials. The national herd of cattle has been estimated at 15m head and there are more than 17m sheep. But the Sudan, however, there could be problems in persuading nomad stock farmers to yield their animals to the commercial fatteners. A nomad's cattle mean far more to him and his social status than their simple value in hard cash.

The animals themselves, predominantly zebu strains, are known to thrive if given a proper diet—almost anything richer than the scrub fodder from which they traditionally glean a living.

Practical experiments in feed-lots with similar cattle in Mexico, for example, have produced excellent results and good meat from the most dubious-looking store cattle.

The over-riding problem, however, is that intensive livestock projects in the developing world have mostly fallen far short of excellence. A similar scheme in Sudan has already been shut down after fighting to keep going for five years.

The resurgent herds of locusts currently swarming over north-east Africa are not the only clouds hanging over Seleit. Intensive fattening of cattle has spoiled most of their life on the move and in isolation greatly magnifies the risk of spreading deadly or debilitating disease. Foot and mouth disease, for example, is endemic in the Sudan—although Seleit is said to be in a "clean" zone.

Stock moving into the farm will have to be thoroughly vetted, and routinely treated for parasites and other afflictions of the range-reared animal.

Disease-carrying flies have to be kept away, and the most commonplace husbandry techniques assiduously applied to keep the stock stress-free and in fair health. Efficient disposal must be efficient and regular.

Crop failure could be costly. Although there are ample supplies of feedstuffs available from elsewhere in Africa or beyond, the economics of feedlot management as practised traditionally demand feed supplies close at hand at low prices.

## Competition

Although the market for meat in the region is growing rapidly, the competition is fierce. Australia, New Zealand and Latin American suppliers—increasingly pushed out of the EEC market—are building up new outlets in the Middle East and are able to land good quality beef and lamb at extremely low prices.

Most projects of this type, at least on such a scale, fail to get off the drawing board. Getting as far as this can be regarded as something of a triumph for Guinness Peat.

If the company can push the Seleit project to within striking distance of its targets in time to meet its own deadlines, Guinness Peat will greatly enhance its chances of reaching its own target of \$50m-worth of semi-industrial project business a year.

## U.S. calls for fish 'war' truce

OTTAWA, June 20.

THE U.S. has called for a truce in the so-called fish war with Canada to allow fishermen from both countries to resume fishing in each other's waters.

The appeal was made by U.S. negotiator Mr. Lloyd Cutler, at the resumption here of bilateral talks aimed at reaching agreement on disputed maritime boundaries and fishing rights.

The talks broke down last month and a reciprocal ban on fishing went into effect on June 4. Fishermen of both countries have respected the ban and no incidents or arrests have been reported.

The dispute arose after each country declared a 200-mile coastal economic zone, leaving overlapping areas claimed by both on the east and west coasts of the continent and in the Arctic.

Canadian sources said the negotiators were considering a settlement which would include a recommendation for international arbitration in some of the disputed areas.

An international conference on ways of policing 200-mile fishing zones will open in Sydney tomorrow to discuss the latest techniques for detecting and controlling foreign fishing boats.

The conference, backed by the Australian Government, has attracted both government and industry delegates from more than 20 countries, including the U.S., Britain, Canada, Holland, Spain, Denmark, Japan, Malaysia, Argentina and Nigeria.

The gathering, the first of its kind devoted to fishery surveillance and protection, underlines the growing world market for specialist aircraft, patrol boats and radar systems needed by countries extending their fishing limits to 200 miles.

## French expect to grow 1m tonnes more grain

BRUSSELS, June 20.

They noted that the cereal sector still had plenty of scope for expansion, as the EEC had to import around 2m tonnes of substitutes for fodder each year.

M. Philippe Nesser, association president and Director, Mr. Etienne David said French soft wheat deliveries this season should increase to at least 1.5m tonnes from 1.45m in 1977-78.

They added that barley deliveries should fall to between 5.5m and 6m tonnes from 7.5m in 1977-78.

They put maize deliveries at 7m tonnes, against last season's 6.5m, but noted it was still too early to be sure about forecasts for this crop.

Another report said growing imports of fodder substitutes which carry very low duties presented abnormal competition for European cereals and created grave distortions between producers in different parts of the Community.

## COMMODITY MARKET REPORTS AND PRICES

BASE METALS			
Copper	Official	London	1978
Wirebar	718.5	718.5	-2.5
Sheet	718.5	718.5	-2.5
Cathodes	718.5	718.5	-2.5
Aluminium	718.5	718.5	-2.5
Sheet	718.5	718.5	-2.5
Cathodes	718.5	718.5	-2.5
Lead	718.5	718.5	-2.5
Sheet	718.5	718.5	-2.5
Cathodes	718.5	718.5	-2.5
Zinc	718.5	718.5	-2.5
Sheet	718.5	718.5	-2.5
Cathodes	718.5	718.5	-2.5

I.G. Index Limited 01-331 3486. September Cocoa 1777-1786

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## World dairy mountains shrink

BY OUR COMMODITIES STAFF

THE WORST of the world dairy surplus appears to be behind us. The principal exception remains the EEC. Production continues to rise and the full price consumption of milk and dairy products continues to fall.

On the other hand, in the EEC, which produces almost a quarter of world milk output, the underlying imbalance remains, said Mr. J. Empson, chief executive of the Milk Marketing Board's commercial divisions, in his annual report to the International Dairy Federation in Paris yesterday.

Balance of the world market as a whole improved during 1977, and Mr. Empson claims this will continue this year. World stocks of dried skimmed milk peaked in 1976 at 2.3m tonnes, and they had fallen to 1.6m tonnes by the end of last year.

The report singles out Scandinavia, European countries outside the EEC, Canada and Australia as having successfully employed national policies for cutting surpluses. Drought in Australia and New Zealand also contributed.

Butter manufacture rose 4 per cent world-wide last year, but steadily by 1.5 per cent in 2 per cent a year.

Last year EEC consumption of fresh milk and fresh milk products fell 1 per cent. Butter uptake dropped 2.4 per cent. The only compensation for these continued declines came from the cheese market where purchases rose 2.4 per cent.

Most of the skimmed milk powder has disappeared into the animal feed market, and much of this butter-by-product has also been consumed by stock in the less costly liquid form.

International market prices have climbed to more acceptable levels around \$800 a tonne compared with the still grossly inflated EEC support price of almost \$1,200, and further improvement can be expected this year since the European Community is continuing its special subsidy schemes for skim powder fed to pigs and poultry.

Mr. Empson expects EEC deliveries of milk to dairies to climb a further 3 per cent this year following a 2.7 per cent rise during 1977.

The size of the Community dairy herd remains more or less unchanged from year to year, but the average cow's yield is rising

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## Ivory Coast to grow hybrid coffee

THE IVORY COAST is aiming to produce 50,000 tonnes a year of arabica coffee, an arabica/robusta hybrid by 1980. Agriculture Ministry sources said here.

First commercial plantings of the hybrid, which should be more profitable than the high-caffeine robustas grown at present, will be made around 500 kms south-east of Abidjan, they said.

## PRICE CHANGES

Price per tonne unless otherwise stated.

June 20 1978

Metals

Aluminium: 2,680

Copper: 718.5

Lead: 718.5

Steel: 718.5

Zinc: 718.5

Grains

Wheat: 125.0

Rice: 125.0

Barley: 125.0

Oats: 125.0

Maize: 125.0

Soyabean: 125.0

Oilseed: 125.0

Vegetable: 125.0

Spices: 125.0

Textiles: 125.0

Leather: 125.0

Wool: 125.0

Rubber: 125.0

Latex: 125.0

Gold: 125.0

Silver: 125.0

Diamonds: 125.0

Gems: 125.0

Crystals: 125.0

Quartz: 125.0

Amethyst: 125.0

Emerald: 125.0

Sapphire: 125.0

Ruby: 125.0

Peridot: 125.0

Spinel: 125.0

Garnet: 125.0

Opal: 125.0

Malachite: 125.0

Maltese: 125.0

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## U.S. Markets

Metals fall; cocoa limit up

NEW YORK, June 20.

COMEX BASED ON renewed Commodity

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## OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]

De. Account	13.5		
Financial Priority	13.5	6.7	5.31
De. Account	13.5	10.7	7.32
High Inc. Priority	13.5	6.8	5.31
International	13.5	3.9	3.21
Special Ship	13.5	3.9	3.21

**123 Utility Trusts (4)**      0234-02108

Dealings in 0234 0234-02108

(a) 123 Growth	13.5	3.8	3.84
(b) De. Account	13.5	6.5	3.84
(c) 123 Income	13.5	2.9	2.97
(d) De. Account	13.5	2.9	2.97
75th Security	13.5	2.9	2.97
De. De. Account	13.5	2.9	2.97

**Ulfster Bank (4)**      0234-35231

Waring Street, Belfast

(a) Ulfster Growth - 36.6      39.3 - 0.51 5.37

**Unit Trust Account & Mgmt. Ltd.**      01-023-4951

King William St. EC4R 6AR

Power Res. Fund	13.5	3.8	3.84
Wider Grth. Fund	13.5	3.8	3.84
Wider Grth. Fund	13.5	3.8	3.84

**Wider Growth Fund**      01-023-4951

King William St. EC4R 6AR

Income Units	13.5	3.1	4.33
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Index Guide as at 29th June 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital .....	128.91
Clive Fixed Interest Income .....	114.90

**CORAL INDEX: Close 461-466**

**INSURANCE BASE RATES**

† Property Growth .....	91%
† Vanburgh Guaranteed .....	9%

† Address shown under Insurance and Property Bond Table.







### FINANCE LAND—Continued

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# FINANCIAL TIMES

Wednesday June 21 1978

**Tarmac**  
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## CBI believes Healey against cut in hours

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

LEADING industrialists believe that they have the support of Mr. Denis Healey, Chancellor of the Exchequer, for their view that a cut in the standard working week should not be included as an automatic entitlement in the next stage of the Government's pay policy.

This emerged after a four-hour meeting yesterday between Mr. Healey and a delegation from the Confederation of British Industry, led by Mr. John Greenborough, president, and Sir John Methven, director-general.

Industrialists are seriously concerned about the impact of a cut in Britain's standard 40-hour working week on unit costs and productivity.

They made this the main plank of their submission to the Chancellor on what should happen when the present phase of pay policy expires at the end of next month.

They also expressed concern

about the latest figures on pay rises in the present wage round and said that any new rules for a further phase should provide for maximum negotiating flexibility including productivity deals.

The present Government sanctions against employers who award high rises should be abandoned, they add.

Later this week, TUC leaders will tell the Chancellor that the best way of winning union support for further wage restraint would be to allow a two-hour cut in the present 40-hour week as a first step towards a target of a 35-hour week.

### Dilemma

But yesterday, the Confederation of British Industry urged the Chancellor that he should reject the proposed trade-off because of the effect it would have on British companies' competitiveness in international markets.

The industrialists believed that the Chancellor agreed with their views, although they realised that it may be difficult for him totally to reject the TUC's claim during the coming weeks, especially at a time when the Government will want to present a united front within the Labour movement in the run-up to a General Election.

The Confederation is now preparing a policy paper setting out the arguments against allowing a general reduction in working hours.

Its council will consider the problems involved at its monthly meeting today, when leaders of yesterday's delegation will report on the talks with the Chancellor.

Estimates being prepared by the Confederation suggest that the recent Employment Department figures on the cost of moving to a 35-hour week are too low. The Department estimated that there would be an 81 per cent addition to labour costs. Bassett accuses Bank, Page 3

## Company profits level off despite N. Sea growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

COMPANY PROFITS have levelled off in the past six months after rising sharply in the first three months of this year, in spite of a marked growth in profits from North Sea activities.

The trend is suggested by the provisional estimate for Gross Domestic Product in the first three months of this year, published yesterday by the Central Statistical Office. The figures confirm that the rate of economic growth picked up earlier in the year, although by slightly less than at first estimated.

The levelling off in company profits has been shown by the published figures for individual companies and by official statistics of real profitability, which adjust for the effects of inflation on the value of stocks of goods and raw materials.

Gross trading profits of companies net of stock appreciation were £3.14bn, seasonally adjusted, in the first three months of this year compared with £3.05bn in each of the previous two quarters. But there had been a growth of nearly two-thirds in the year to the July-September period of 1977.

The levelling off reflects cost pressures and the impact of last year's rise in sterling on the large percentage of profits earned abroad and from exports.

The figures so far probably give too favourable a view of the recovery in much of British industry. Although a detailed breakdown is not yet available, it is likely that a rise in profits from North Sea operations, suggested by the production figures, has offset a decline in other sectors.

Gross trading profits, net of stock appreciation, increased by nearly 9 per cent in the past six months compared with the previous half-year, against a 50 per cent increase previously. Profits before deducting stock appreciation were little changed on a six-month comparison.

The short-term rise in economic activity is best shown by the output estimate of Gross Domestic Product, which rose by 0.8 per cent in the first three months of this year compared with the previous quarter. That is slightly lower than the original estimate of a 1.17 per cent increase, largely because the economy is thought to have grown a little towards the end of 1977, producing a higher base figure.

Recent evidence points to an acceleration in the growth of activity in the past couple of months, supporting official hopes that the annual rate of expansion is now about 3 per cent.

On a longer-term view, the average estimate of Gross Domestic Product increased by about 1 per cent between the past two six-month periods after taking account of income expenditure and output data.

On the same basis, the volume of consumers' expenditure rose by roughly 3 per cent although exports fell slightly and imports rose by 2½ per cent.

The total volume of gross expenditure, however, was little changed in the first three months of this year, continuing at much the same level as during last year.

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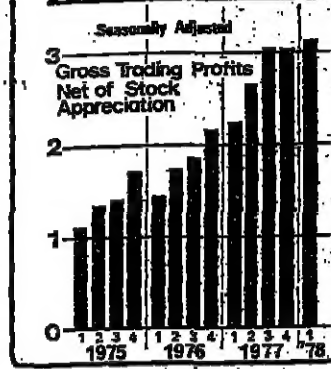
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## THE LEX COLUMN

## A familiar tale from Plessey

Index fell 3.6 to 463.4

### COMPANY SECTOR



Plessey watchers nodded knowingly as the group announced yet another set of disappointing figures yesterday. At the halfway stage Plessey had still seemed to be on target for a one-fifth rise in pre-tax profits to around £48m. But at the nine months stage growth was clearly slipping, and the group finished the year just 6 per cent ahead at £42.9m.

The immediate reason has been the plight of Garrard, where the losses emerge at £5.6m for the year. But there is rather more to it than that. The profitability of Plessey's supposedly booming electronic systems division has also been uninspiring, with the 26 per cent turnover jump leading to a rise of only 8 per cent in operating profits. The absence during the year of major contract completions is said to be a factor here.

Elsewhere Plessey's accounting treatment of its telecommunications side — another £7m has been charged below the line to add to the previous year's £16m provisions — makes it impossible to derive much sense from the level of divisional profits credited above the line, just £1.9m lower at £16.6m for public telecom systems.

All is not bad, however. The order book was a sixth higher at £700m by the March 31 deadline, and some big Middle Eastern orders have apparently been booked since then. The number of UK employees tumbled by 13 per cent during 1977-78, implying big gains in productivity, and reduced losses (not profits) are promised at Garrard, after drastic surgery. Some of the optimists are once again hoping for £50m pre-tax this year, though the first quarter will not show much of an improvement.

The general impression is that Plessey's non-growth status (it earned £40m pre-tax four years ago on two-thirds of the latest turnover) is confirmed. Yet the market put the shares 1p better at 99p, suggesting that the decent balance sheet and the yield of 8.5 per cent offset the lack of longer term earnings growth.

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One perspective on the ahead is provided by comparison with Charrington. In 1973 Allied pre-tax profits of £63m more than Bass. By however, Bass had res £56m, some £9m ahead of A Breweries. Such compar depend very much on one starts, but there can doubt which way the trend been.

A factor has been All greater dependence on and spirals—now repress around 45 per cent of sa where the market has y recover to its pre-1975 l. The picture here for the half of the current yes unimpaired, though the div may have gained a volume.

The outlook for the depends very much on the shapings. Analysts are hi for an increase of about 1 cent to give pre-tax profi about £90m. This puts shares on a prospective tamed: multiple of 10½ a premium against the sect

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## Surcharge 'would increase jobless by only 5,000'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, Chancellor of the Exchequer, yesterday claimed that proposals to raise the employers' national insurance surcharge would increase unemployment by only 5,000 in the April-June quarter of next year.

The alternative of a rise in Value-Added Tax would boost the numbers out of work by 35,000 over the same period.

This emerged in evidence to the social services and employment subcommittee of the all-party Commons Expenditure Committee yesterday.

It is the first time a Chancellor has given evidence to a Commons select committee, and the 70-minute session ranged over the prospects for unemployment, the surcharge and a brief discussion of pay.

Mr. Healey took a relatively optimistic view of the prospects for a fall in unemployment. But the impact of the rise in economic activity might be "muffled" given the evidence that a "great deal more overtime is being worked."

With a 5 per cent rise in the last three months compared with the previous quarter.

Moreover, the job preservation measures meant that in some cases companies had kept people

on who would be needed when the upturn developed.

Mr. Healey used the opportunity to present the most detailed defence so far of the proposed rise in the surcharge.

He maintained that to recoup the loss of revenue in the current financial year from the income tax cuts pushed through the Finance Bill committee, the standard rate of VAT would have had to increase by 2.8 percentage points from July 1.

He argued that both the employment and price effects of a rise in VAT were less favourable than the rise in the surcharge.

An increase in VAT would boost the retail price index by 1.3 per cent by the second quarter of next year, with most of the rise coming through completely in the next month or two.

A higher surcharge would, according to the Treasury, boost prices by 0.7 per cent over the same period depending on how the surcharge was passed on by companies.

Mr. Healey contrasted a 35,000 rise in unemployment by the second quarter of 1978 from VAT with the 5,000 increase from the surcharge.

He added that by the first

quarter of 1980 the effects of the measures themselves would be more nearly equal. CBI estimates of a loss of 100,000 jobs were seriously exaggerated, he added.

He indicated that since the full revenue impact of the surcharge would be not until 1979-1980 — about £1bn more than the loss of revenue from the cut in income tax — this might provide leeway for offsetting action later.

Mr. Healey also argued that a sharp rise in prices now resulting from a rise in VAT would seriously affect the willingness of working people to observe moderation in the next pay round.

Deliberate Government action to increase prices would not be compatible with this aim.

The current round was working better than anyone expected and he believed that the earnings rise in the year to July would "with luck" be below 15 per cent.

This refers to the new earnings index covering the whole economy which increased by 12.5 per cent in the year to April.

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## Hospital electricians likely to seek parity with private sector

BY PAULINE CLARK, LABOUR STAFF

THE GOVERNMENT will today face repercussions in the public sector at its failure to back a pay deal for electricians in the private sector which could break the pay guidelines.

Hospital electricians, working to rule through the country, are likely to demand the same treatment as their private sector colleagues in talks with Health Department officials today.

They will insist on bonus payments for everyone, even where incentive schemes permitted by the pay guidelines have not yet been introduced.

The executive of the Electrical and Plumbing Trades Union yesterday endorsed the decision by Mr. Peter Adams, national union officer, to postpone the planned strike last Friday, but decided not to call off the overtime ban and other industrial action affecting hospitals since Monday.

Hospital electricians have demanded parity with similar workers in the electrical contracting industry since well before their settlement date in January, and seem unlikely to accept anything short of a firm date for achieving that level today.

A delegates' conference is to take place on Monday when, the union says, there must be a firmer offer than another promise by the Department to encourage more incentive schemes in the Health Service.

In a recent test case involving Rolley Hall, the Croydon-based electrical contracting company, the Attorney General said that the Government, in rejecting a bonus in-lieu deal for workers not on a productivity scheme, did not intend to cause a breach of contract.